

l.t

INTERIM REPORT

08/09

STOCK CODE: 999

I.T LIMITED INTERIM REPORT

08/09

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RTS

a fashion icon

TREND SETTING

inspiration

a lifestyle

MOVING FORWARD

CORPORATE PROFILE

Executive Directors

Mr. SHAM Kar Wai

Dr. LO Wing Yan, William, J.P.

Mr. SHAM Kin Wai

DIRECTORS

Independent Non-executive Directors

Mr. WONG Wai Ming

Mr. Francis GOUTENMACHER

Dr. WONG Tin Yau, Kelvin

Company Secretary

Miss HO Suk Han, Sophia

Qualified Accountant

Mr. KWONG Kwok Yu, Gary

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

31/F Tower A Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

Auditor

PricewaterhouseCoopers,
Certified Public Accountants

Principal Bankers

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Principal Share Registrar

The Bank of Bermuda Limited

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited

1715-16 Hopewell Centre

183 Queen's Road East

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HIGHLIGHTS

- Total revenue of the Group increased by 46.1% to HK\$1,180.2 million.
- Gross profit margin of the Group's retail operation maintained at 60.7% despite a softening economy and an increasingly competitive marketplace.
- EBITDA decreased by 17.7% to HK\$69.6 million. However, if discretionary expenses related to the 20th anniversary program as well as non-cash share option expenses are excluded, EBITDA will have increased by 14.8% to HK\$97.1 million instead.
- Total retail sales in Hong Kong increased by 18.0% to HK\$886.7 million, and comparable store sales increased by 5.8%.
- In Renminbi terms, total retail sales in Mainland China increased by 27.8% to RMB212.0 million, and comparable store sales increased by 15.5%. Mainland operations financials improved and achieved breakeven in the 1st half while the Taiwan business has turned to be slightly profitable.
- Net profit dropped by 66.0% to HK\$15.0 million. The decrease was mainly due to the increase in non-cash expenses such as share options expenses and discretionary spending on advertising and promotion as well as the significant decrease in interest and other income in the low interest rate environment. If these factors are excluded, net profit of the Group's operating business should have dropped much less.

Key statistics	31 August 2008	31 August 2007	Change
Inventory Turnover (Days) ⁽¹⁾	155.9	114.2	+41.7
Capital Expenditure (HK\$ million) ⁽²⁾	82.3	29.8	+52.5
Net cash (HK\$ million) ⁽³⁾	146.2	331.3	-185.1
Current Ratio ⁽⁴⁾	2.5	4.0	-1.5
Return on Equity (%) ⁽⁵⁾	1.2	5.4	-4.2

Notes:

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

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

⁽³⁾ Cash and cash equivalents and pledged bank deposits less bank borrowings/loans.

⁽⁴⁾ Current assets divided by current liabilities.

⁽⁵⁾ Net profit during the period divided by average of the shareholders' equity at the beginning and at the end of the period.

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2008	29 February 2008	31 August 2008	29 February 2008
Greater China:				
Hong Kong				
I.T	171	172	–	–
FCUK IT ⁽¹⁾	7	6	–	–
ZIT H.K. ⁽⁴⁾	1	–	–	–
Mainland China				
I.T	111	104	42	48
FCIT China ⁽²⁾	15	13	6	7
Taiwan	7	8	–	–
Macau				
I.T	5	4	–	–
FCIT Macau ⁽³⁾	2	–	–	–
Overseas:				
Thailand	–	–	10	10
Saudi Arabia	–	–	7	5

	B. Sales footage			
	Self-managed		Franchised	
	31 August 2008	29 February 2008	31 August 2008	29 February 2008
Greater China:				
Hong Kong				
I.T	329,911	336,953	–	–
FCUK IT ⁽¹⁾	11,847	11,821	–	–
ZIT H.K. ⁽⁴⁾	2,300	–	–	–
Mainland China				
I.T	221,591	205,480	53,466	54,467
FCIT China ⁽²⁾	22,908	20,636	7,844	9,297
Taiwan	4,326	7,601	–	–
Macau				
I.T	5,901	3,760	–	–
FCIT Macau ⁽³⁾	4,430	–	–	–
Overseas:				
Thailand	–	–	9,834	9,995
Saudi Arabia	–	–	9,022	6,279

Notes:

- ⁽¹⁾ a 50:50 joint venture with French Connection Group plc covering Hong Kong.
⁽²⁾ a 50:50 joint venture with French Connection Group plc covering Mainland China.
⁽³⁾ a 50:50 joint venture with French Connection Group plc covering Macau.
⁽⁴⁾ a 50:50 joint venture for Zadig & Voltaire covering Hong Kong.

INDEPENDENT REVIEW REPORT



羅兵咸永道會計師事務所

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 31, which comprises the condensed consolidated balance sheet of I.T Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

A handwritten signature in black ink, appearing to be a stylized name, possibly 'T. T. T.', written over a horizontal line.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 October 2008

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2008

	Note	Six months ended 31 August	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	4	1,180,230	807,970
Cost of sales	6	(462,733)	(340,833)
Gross profit		717,497	467,137
Other (losses)/gains	5	(9,668)	1,369
Operating expenses	6	(691,922)	(424,393)
Operating profit		15,907	44,113
Finance income, net	7	2,724	9,983
Share of gain/(loss) of jointly controlled entities		1,821	(925)
Profit before income tax		20,452	53,171
Income tax expense	8	(5,445)	(9,058)
Profit for the period		15,007	44,113
Dividend	9	-	21,834
Earnings per share for the period (expressed in HK\$ per share)			
– basic	10	0.013	0.042
– diluted	10	0.013	0.042

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2008

	Note	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
ASSETS			
Non-current assets			
Furniture and equipment	11	204,356	179,850
Intangible assets	11	335,106	311,898
Investments in and amounts due from jointly controlled entities	12	32,294	21,974
Rental deposits	14	94,680	77,424
Deferred income tax assets		35,680	24,412
Other assets		6,030	6,030
		708,146	621,588
Current assets			
Inventories		460,225	323,724
Trade and other receivables	13	106,529	39,645
Amounts due from jointly controlled entities	12	25,842	41,080
Prepayments and other deposits	14	128,157	98,920
Derivative financial instruments	15	–	2,539
Pledged bank deposits		750	750
Cash and cash equivalents		148,021	424,173
		869,524	930,831
LIABILITIES			
Current liabilities			
Borrowings	18	(2,522)	(10,000)
Trade and bills payables	16	(180,804)	(121,840)
Accruals and other payables	17	(123,297)	(140,200)
Amount due to a jointly controlled entity	12	(17,252)	(15,583)
Derivative financial instruments	15	(9,668)	–
Current income tax liabilities		(19,581)	(30,510)
		(353,124)	(318,133)
Net current assets		516,400	612,698
Total assets less current liabilities		1,224,546	1,234,286
Non-current liabilities			
Other payables	17	(39,285)	(8,925)
Deferred income tax liabilities		(3,979)	(4,524)
		(43,264)	(13,449)
Net assets		1,181,282	1,220,837
EQUITY			
Capital and reserves			
Share capital	19	115,504	115,468
Reserves	20	1,065,778	1,105,369
Total equity		1,181,282	1,220,837



SHAM KAR WAI
Chairman



LO WING YAN, WILLIAM
Vice Chairman

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2008

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2008	115,468	1,105,369	1,220,837
Net income recognised directly in equity			
– currency translation differences	–	27,578	27,578
Profit for the period	–	15,007	15,007
Total recognised income for the six months ended 31 August 2008	–	42,585	42,585
Proceeds from issue of shares under a share option scheme	36	810	846
Share option scheme			
– value of employment services	–	15,192	15,192
Dividend relating to year ended 29 February 2008	–	(98,178)	(98,178)
	36	(82,176)	(82,140)
Balance at 31 August 2008	<u>115,504</u>	<u>1,065,778</u>	<u>1,181,282</u>
Balance at 1 March 2007	103,950	722,803	826,753
Net income recognised directly in equity			
– cash flow hedges	–	(820)	(820)
– currency translation differences	–	1,402	1,402
Profit for the period	–	44,113	44,113
Total recognised income for the six months ended 31 August 2007	–	44,695	44,695
Proceeds from issue of shares under a share option scheme	20	–	20
Share option scheme			
– value of employment services	–	1,383	1,383
Dividend relating to year ended 28 February 2007	–	(51,985)	(51,985)
	20	(50,602)	(50,582)
Balance at 31 August 2007	<u>103,970</u>	<u>716,896</u>	<u>820,866</u>

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

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2008

	Note	Six months ended 31 August	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities		(103,470)	19,947
Net cash used in investing activities		(73,533)	(2,620)
Net cash used in financing activities		(107,332)	(48,521)
Net decrease in cash and cash equivalents		(284,335)	(31,194)
Currency translation differences		5,661	–
Cash and cash equivalents, at 1 March		424,173	364,820
Cash and cash equivalents, at 31 August		145,499	333,626
Analysis of cash and cash equivalents:			
Cash and bank deposits		148,021	333,626
Bank overdrafts	18	(2,522)	–
		145,499	333,626

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

I.T Limited (the "Company") is an investment holding company and its subsidiaries (together with the Company are collectively referred to as the "Group") are principally engaged in the sales of fashion wears and accessories.

The Company was incorporated in Bermuda on 18 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

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

This condensed consolidated interim financial information was approved for issue by Board of Directors on 30 October 2008.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 August 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 29 February 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 29 February 2008, as described in those annual financial statements.

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

The following new interpretations are mandatory for the first time for the financial year beginning 1 March 2008 but are not currently relevant for the Group.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations have been issued by the HKICPA but are not effective for the financial year beginning 1 March 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 and HKFRS 7 Amendments	Financial Instruments: Recognition and Measurement and Financial Instruments: Disclosures
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4 TURNOVER AND SEGMENT INFORMATION

(a) Analysis of revenue by category

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
– Sales of fashion wears and accessories	1,180,230	804,504
– Royalty income	–	3,466
	1,180,230	807,970

(b) Segment information

The Group's primary reporting format is business segments. No segment analysis for business segment is presented as the Group principally operates in one business segment, which were the sales of fashion wears and accessories.

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

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Hong Kong	890,539	802,454
Mainland China	265,277	948
Taiwan	10,278	–
Others	14,136	4,568
	1,180,230	807,970

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

	As at	As at
	31 August 2008	29 February 2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Total assets		
Hong Kong	744,636	846,351
Mainland China	724,054	631,359
Taiwan	16,399	28,339
Others	25,490	10,410
	1,510,579	1,516,459
Jointly controlled entities	25,381	5,518
Unallocated assets	41,710	30,442
	1,577,670	1,552,419

Segment assets consist primarily of furniture and equipment, intangible assets, inventories, trade and other receivables, prepayments and other deposits, derivative financial instruments, pledged bank deposits, and cash and cash equivalents. Unallocated assets comprise deferred taxation and other assets. Jointly controlled entities comprise the share of net assets of the jointly controlled entities. Total assets are allocated based on where the assets are located.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Six months ended 31 August	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Capital expenditure		
Hong Kong	30,075	29,275
Mainland China	38,714	549
Taiwan	5,611	–
Others	7,891	–
	82,291	29,824

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

5 OTHER (LOSSES)/GAINS

	Six months ended 31 August	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	(9,668)	1,369

6 EXPENSES BY NATURE

	Six months ended 31 August	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	463,173	332,538
Write-downs of inventories to net realisable value	7,970	5,859
Employment costs (including directors' emoluments)	240,096	154,222
Operating lease rentals of premises		
– minimum lease payments	232,723	150,597
– contingent rents	21,642	5,166
Advertising and promotion costs	28,578	10,222
Depreciation of furniture and equipment	46,261	26,502
Loss on disposals of furniture and equipment	4,331	1,873
Licence fees (included in operating expenses)		
– amortisation of licence rights	3,372	3,917
– contingent licence fees	984	2,064
Amortisation of intangible assets (included in operating expenses)	822	–
Provision for impairment of receivables	1,031	–
Net exchange gains	(18,648)	(2,766)
Other expenses	122,320	75,032
Total	1,154,655	765,226
Representing:		
Cost of sales	462,733	340,833
Operating expenses	691,922	424,393
	1,154,655	765,226

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

7 FINANCE INCOME, NET

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from		
– bank deposits	1,309	5,032
– amounts due from jointly controlled entities (i)	153	2,241
– others (i)	1,817	2,788
	<hr/>	<hr/>
Finance income	3,279	10,061
	<hr/>	<hr/>
Interest expense on		
– bank borrowings wholly repayable within five years	(68)	(8)
– licence fee payables (i)	(487)	(70)
	<hr/>	<hr/>
Finance costs	(555)	(78)
	<hr/>	<hr/>
Net finance income	2,724	9,983
	<hr/>	<hr/>

Note:

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

8 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until March 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (six months ended 31 August 2007: 17.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively, on the estimated assessable profits for the period.

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

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	7,991	13,801
– Mainland China enterprise income tax	9,267	–
Deferred income tax	(12,219)	(4,743)
Effect on tax rate change	406	–
	<hr/>	<hr/>
	5,445	9,058
	<hr/>	<hr/>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2008 is 19.6% (the estimated tax rate for the six months ended 31 August 2007 was 17.5%). This increase is mainly due to the consolidation of I.T China Limited and its subsidiaries in current period after the acquisition of the remaining 50% equity interest on 28 November 2007 with the estimated average annual tax rate of 25%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

9 DIVIDEND

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim, declared, of nil (six months ended 31 August 2007: HK\$0.021) per ordinary share	-	21,834

10 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share for the period is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	15,007	44,113
Weighted average number of ordinary shares in issue ('000)	1,154,891	1,039,641
Basic earnings per share (HK\$)	0.013	0.042

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	15,007	44,113
Weighted average number of ordinary shares in issue ('000)	1,154,891	1,039,641
Adjustments for share options ('000)	2,563	3,291
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,157,454	1,042,932
Diluted earnings per share (HK\$)	0.013	0.042

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

11 FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	Furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000
Six months ended 31 August 2008		
Opening net book amount as at 1 March 2008	179,850	311,898
Additions	72,487	4,451
Business combinations (Note 23)	1,029	4,324
Disposals	(5,984)	–
Depreciation and amortisation	(46,261)	(4,194)
Exchange differences	3,235	18,627
	<u>204,356</u>	<u>335,106</u>
Six months ended 31 August 2007		
Opening net book amount as at 1 March 2007	93,191	14,819
Additions	29,583	241
Disposals	(1,873)	–
Depreciation and amortisation	(26,502)	(3,917)
	<u>94,399</u>	<u>11,143</u>

12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Share of net assets	25,381	5,518
Amounts due from jointly controlled entities	32,755	57,536
	<u>58,136</u>	<u>63,054</u>
Less: current portion of amounts due from jointly controlled entities	(25,842)	(41,080)
	<u>32,294</u>	<u>21,974</u>
Amount due to a jointly controlled entity	<u>(17,252)</u>	<u>(15,583)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

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

(a) Balances with jointly controlled entities

Name	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Due from jointly controlled entities		
FCUK IT Company (Note iii)	485	291
Top Alliance Enterprises Limited	-	11,474
I.T Taiwan Limited	-	16,864
FCIT China Limited (Note i)	30,343	28,907
ZIT H.K. Limited (Note ii)	1,885	-
Glory Premium Limited (Note iii)	42	-
	<u>32,755</u>	<u>57,536</u>
Due to a jointly controlled entity		
Kenchart Apparels (Shanghai) Limited (Note iii)	<u>(17,252)</u>	<u>(15,583)</u>

Notes:

- (i) The amount due from FCIT China Limited of approximately HK\$5,113,000 (29 February 2008: HK\$4,982,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount carries at amortised costs using the effective interest rate at 5% per annum (29 February 2008: 5% per annum). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount due from ZIT H.K. Limited of approximately HK\$1,800,000 (29 February 2008: Nil) is unsecured, interest bearing at 5% per annum and without a pre-determined repayment date. 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.

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

(b) Details of the principal jointly controlled entities:

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK\$12,000,000	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
FCIT (Macau), Limited	Macau	MOP1,030,000	50%	Retail of fashion wears and accessories

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

13 TRADE AND OTHER RECEIVABLES

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Trade receivables	54,651	28,204
Less: provision for impairment of receivables	(364)	(343)
	<hr/>	<hr/>
Trade receivables, net	54,287	27,861
	<hr/>	<hr/>
Other receivables	71,222	28,618
Less: provision for impairment of receivables	(18,980)	(16,834)
	<hr/>	<hr/>
Other receivables, net	52,242	11,784
	<hr/>	<hr/>
Trade and other receivables	106,529	39,645
	<hr/> <hr/>	<hr/> <hr/>

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

The ageing analysis of the trade receivables are as follows:

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
0 to 30 days	51,320	19,979
31 to 60 days	2,784	7,858
61 to 90 days	13	7
Over 90 days	170	17
	<hr/>	<hr/>
	54,287	27,861
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade receivables approximate their fair values.

14 PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Rental deposits	131,274	111,025
Prepayments	79,743	50,098
Utilities and other deposits	11,820	15,221
	<hr/>	<hr/>
	222,837	176,344
Less: non-current portion of rental deposits	(94,680)	(77,424)
	<hr/>	<hr/>
	128,157	98,920
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as derivatives at fair value through profit or loss and accounted for at fair value through profit or loss. As at 31 August 2008, the notional amounts of the outstanding forward currency exchange contracts to buy Japanese Yen and Euros for hedging against foreign exchange risk exposures relating to firm purchase orders of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK\$281,479,000 (29 February 2008: HK\$31,567,000). The remaining maturities of these contracts are within seven months.

16 TRADE AND BILL PAYABLES

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

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
0 to 30 days	148,647	86,130
31 to 60 days	12,645	15,037
61 to 90 days	2,262	2,972
91 to 180 days	7,192	8,090
181 to 365 days	9,886	8,501
Over 365 days	172	1,110
	180,804	121,840

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

17 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Unutilised coupon	1,411	1,900
Accruals		
– Rented premises	73,755	41,217
– Employment costs	19,114	44,212
– Others	17,721	16,686
Licence fee payables	12,240	14,346
Other payables	38,341	30,764
	162,582	149,125
Less:		
Non-current portion		
– Licence fee payables	(6,435)	(8,925)
– Accruals: rented premises	(32,850)	–
	(39,285)	(8,925)
	123,297	140,200

Licence fee payables were recognised based on discount rates equal to the Group's weighted average borrowing rates ranging from 3% to 4% per annum at the date of acquisition of such obligations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

18 BORROWINGS

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Bank overdrafts	2,522	–
Short-term bank borrowings	–	10,000
	<u>2,522</u>	<u>10,000</u>

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

	(Unaudited) HK\$'000
Six months ended 31 August 2008	
Opening amount as at 1 March 2008	10,000
Proceeds from borrowings	20,000
Repayment of borrowings	(30,000)
Closing amount as at 31 August 2008	<u>–</u>
Six months ended 31 August 2007	
Opening amount as at 1 March 2007	–
Proceeds from borrowings	3,102
Closing amount as at 31 August 2007	<u>3,102</u>

Bank borrowings are repayable on demand (29 February 2008: repayable within 1 year) and bear interest of 5.25% per annum (29 February 2008: 6.6% per annum). The carrying amounts of bank borrowings approximate their fair values.

Interest expense on borrowings for the six months ended 31 August 2008 is approximately HK\$68,000 (six months ended 31 August 2007: HK\$8,000).

19 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 shares (29 February 2008: 3,000,000,000 shares) with a par value of HK\$0.1 per share (29 February 2008: HK\$0.1 per share).

	Number of ordinary shares '000	Nominal value HK\$'000
Issued and fully paid:		
At 1 March 2008 (Audited)	1,154,677	115,468
Issue of shares under a share option scheme (Unaudited)	360	36
At 31 August 2008 (Unaudited)	<u>1,155,037</u>	<u>115,504</u>
At 1 March 2007 (Audited)	1,039,500	103,950
Issue of shares under a share option scheme (Unaudited)	200	20
At 31 August 2007 (Unaudited)	<u>1,039,700</u>	<u>103,970</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

19 SHARE CAPITAL (Continued)

Share options

- (a) On 7 February 2005, the Company granted Pre-IPO Share Options to a director and certain employees (including a consultant) of the Group to subscribe for an aggregate of 7,200,000 shares in the Company at a price of HK\$0.1 per share, exercisable during the period from 4 September 2005 to 7 February 2008. The Group has no legal or constructive obligation to repurchase or settle these Pre-IPO Share Options in cash. No additional Pre-IPO Share Options can be granted.

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

	Six months ended 31 August			
	2008		2007	
	Exercise price per share HK\$	Options '000	Exercise price per share HK\$	Options '000
Beginning of the period	-	-	0.1	5,200
Exercised	-	-	0.1	(200)
End of the period	-	-	0.1	5,000

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

On 28 April 2005, the Company granted options under the Share Option Scheme to a director and certain employees of the Group to subscribe for an aggregate of 15,750,000 shares in the Company at a price of HK\$2.35 per share, exercisable during the period from 28 April 2005 to 27 April 2008. The fair value of the options granted on 28 April 2005, determined using the Binomial Option Pricing Model, was approximately HK\$0.18 per share option, totalling approximately HK\$2,859,000.

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

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

On 14 April 2008, the Company granted options under the Share Option Scheme to certain directors of the Group to subscribe for an aggregate of 20,000,000 shares in the Company at a price of HK\$2.47 per share, exercisable during the period from 14 April 2008 to 13 April 2013. The fair value of the options granted on 14 April 2008, determined using the Binomial Option Pricing Model, was approximately HK\$0.57 per share option, totalling approximately HK\$11,406,000.

On 14 April 2008, the Company granted options under the Share Option Scheme to a director and certain employees of the Group to subscribe for an aggregate of 34,300,000 shares in the Company at a price of HK\$2.25 per share, exercisable during the period from 14 April 2008 to 13 April 2013. The fair value of the options granted on 14 April 2008, determined using the Binomial Option Pricing Model, was ranging from HK\$0.49 per share option to HK\$0.62 per share option, totalling approximately HK\$17,326,000.

On 27 April 2008, the Company extended the exercisable period of the granted options on 28 April 2005 under the Share Option Scheme to certain employees of the Group to subscribe for an aggregate of 3,450,000 shares in the Company at a price of HK\$2.35 per share, exercisable during the period from 27 April 2008 to 27 October 2008. The fair value of the options extended on 27 April 2008, determined using the Binomial Option Pricing Model, was approximately HK\$0.22 per share option, totalling approximately HK\$769,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

19 SHARE CAPITAL (Continued)

Share options (Continued)

(b) (Continued)

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

Grant date	28 April 2005	16 February 2007	1 June 2007	14 April 2008	14 April 2008	27 April 2008
Share price at the grant date	HK\$2.10	HK\$1.55	HK\$1.46	HK\$2.24	HK\$2.24	HK\$2.23
Exercise price per share	HK\$2.35	HK\$1.56	HK\$1.47	HK\$2.47	HK\$2.25	HK\$2.35
Standard deviation of expected share price returns	33.00%	36.00%	35.00%	43.00%	43.00%	43.00%
Expected life of options	1.6 years	3.0 years	2.7 years	4.0 years	1.0 year	0.5 year
Expected dividend paid out rate	2.50%	3.50%	3.00%	4.00%	4.00%	4.00%
Annual risk free rate	2.79%	4.11%	4.36%	1.99%	1.99%	1.10%

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

	Six months ended 31 August			
	2008		2007	
	Exercise price per share HK\$	Options '000	Exercise price per share HK\$	Options '000
Beginning of the period	1.74	13,450	2.11	20,150
Granted	2.33	54,300	1.47	4,000
Exercised	2.35	(360)	–	–
Forfeited	2.28	(400)	2.35	(3,550)
End of the period	2.21	66,990	1.94	20,600

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

Expiry date	Exercise price per share HK\$	Share options	
		As at 31 August 2008 '000	As at 31 August 2007 '000
7 February 2008	0.1	–	5,000
27 April 2008	2.35	–	10,600
27 October 2008	2.35	2,990	–
15 February 2010	1.56	6,000	6,000
30 May 2010	1.47	4,000	4,000
13 April 2011	2.33	18,020	–
13 April 2012	2.33	17,990	–
13 April 2013	2.33	17,990	–
		66,990	25,600

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

20 RESERVES

	Share-based Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Foreign exchange translation (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2008	699,809	3,897	32,337	–	22,534	346,792	1,105,369
Share option scheme							
– value of employment services	–	15,192	–	–	–	–	15,192
Profit for the period	–	–	–	–	–	15,007	15,007
Exercise of share options	900	(90)	–	–	–	–	810
Forfeiture of share options	–	(789)	–	–	–	789	–
Currency transaction differences							
– Group	–	–	–	–	26,364	–	26,364
– Jointly controlled entities	–	–	–	–	1,214	–	1,214
Dividend relating to year ended 29 February 2008	–	–	–	–	–	(98,178)	(98,178)
Balance at 31 August 2008	<u>700,709</u>	<u>18,210</u>	<u>32,337</u>	<u>–</u>	<u>50,112</u>	<u>264,410</u>	<u>1,065,778</u>
Balance at 1 March 2007	424,689	13,349	32,337	820	2,612	248,996	722,803
Share option scheme							
– value of employment services	–	1,383	–	–	–	–	1,383
Cash flow hedge							
– transfers to income statement	–	–	–	(820)	–	–	(820)
Profit for the period	–	–	–	–	–	44,113	44,113
Exercise of share options	342	(342)	–	–	–	–	–
Forfeiture of share options	–	(645)	–	–	–	645	–
Currency transaction differences							
– jointly controlled entities	–	–	–	–	1,402	–	1,402
Dividend relating to year ended 28 February 2007	–	–	–	–	–	(51,985)	(51,985)
Balance at 31 August 2007	<u>425,031</u>	<u>13,745</u>	<u>32,337</u>	<u>–</u>	<u>4,014</u>	<u>241,769</u>	<u>716,896</u>

21 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2008, the Group had aggregate banking facilities of approximately HK\$515,023,000 (29 February 2008: HK\$448,500,000) for overdrafts, bank loans and trade financing, of which approximately HK\$405,131,000 (29 February 2008: HK\$336,543,000) was unutilised as at the same date. These facilities are secured by:

- (i) the Group's bank deposits of HK\$750,000 (29 February 2008: HK\$750,000);
- (ii) the current assets of New Concepts Corporation Limited, a subsidiary, amounting to approximately HK\$264,914,000 (29 February 2008: HK\$212,440,000);
- (iii) the current assets of I.T China Limited, a subsidiary, amounting to approximately HK\$7,014,000 (29 February 2008: HK\$7,013,000); and
- (iv) corporate guarantees provided by the Company and certain subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

22 OPERATING LEASE COMMITMENTS

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

	As at 31 August 2008 (Unaudited) HK\$'000	As at 29 February 2008 (Audited) HK\$'000
Not later than one year	459,250	439,607
Later than one year and not later than five years	528,389	675,111
Later than five years	18,235	138,185
	<u>1,005,874</u>	<u>1,252,903</u>

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

23 BUSINESS COMBINATIONS

On 1 March 2008, the Group acquired the remaining 49% of the equity interest in Top Alliance Enterprises Limited, a then jointly controlled entity of the Group for a cash consideration of HK\$1,780,000. The acquired business contributed revenues of HK\$10,278,000 and net profit of HK\$3,920,000 to the Group for the period 1 March 2008 to 31 August 2008.

Details of net liabilities acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
– cash paid	1,780
Fair value of net liabilities acquired (shown as below)	18,622
Investment in jointly controlled entity disposed	(16,078)
	<u>4,324</u>
Goodwill	<u>4,324</u>

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the acquisition by the Group.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount HK\$'000	Fair value HK\$'000
Cash and cash equivalents	3,076	3,076
Furniture and equipment	1,029	1,029
Inventories	5,327	5,327
Trade and other receivables	2,392	2,392
Prepayments and other deposits	2,135	2,135
Amount due to a related company	(18,745)	(18,745)
Amount due to a shareholder	(11,479)	(11,479)
Accruals and other payables	(2,357)	(2,357)
	<u>(18,622)</u>	<u>(18,622)</u>
Net liabilities acquired	<u>(18,622)</u>	<u>(18,622)</u>
Inflow of cash to acquire business, net of cash acquired:		
– cash consideration		(1,780)
– cash and cash equivalents in subsidiary acquired		3,076
		<u>1,296</u>
Net cash inflow on acquisition		<u>1,296</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

24 RELATED PARTY TRANSACTIONS

As at 31 August 2008, the Group was controlled by Mr. Sham Kar Wai and his wife and Mr. Sham Kin Wai via:

- (i) Effective Convey Limited (incorporated in the British Virgin Islands), which owns 29.09% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai;
- (ii) 3WH Limited (incorporated in Hong Kong), which owns 29.09% of the Company's shares. 3WH Limited is owned by Mr. Sham Kar Wai and his wife, and Mr. Sham Kin Wai.

(a) Details of significant transactions with related parties:

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of fashion wears and accessories to jointly controlled entities	–	43,748
Royalty income from a jointly controlled entity	–	3,466
Commission income from a jointly controlled entity	220	77
Interest income from jointly controlled entities	15	2,241
Reimbursement of operating expenses by jointly controlled entities	2,964	2,985
	2,964	2,985

(b) Key management compensation

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' fees	–	268
Salaries and allowances	17,297	14,575
Bonus	3,465	–
Pension costs - employer's contributions to a defined contribution plan	317	246
Share options granted	12,849	1,383
	33,928	16,472

25 SEASONALITY

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Total revenue of the Group increased by 46.1% to HK\$1,180.2 million (six months ended 31 August 2007: HK\$808.0 million). This significant increase was due to both the growth in the retail sales of the Hong Kong operation and the consolidation of the China operation as a result of the buyback of our China joint venture on 28 November 2007. It should be noted that for the six months ended 31 August 2007, the results of the China joint venture were equity accounted for as a jointly controlled entity, while for the six months ended 31 August 2008, the results of our China operation were consolidated in the Group's financial statements.

For the six months ended 31 August 2008, international brands, in-house brands, and licensed brands each contributed 49.7% (six months ended 31 August 2007: 48.0%), 45.7% (six months ended 31 August 2007: 42.8%), and 4.6% (six months ended 31 August 2007: 9.2%) of the Group's total retail sales respectively.

Gross profit increased by 53.6% to HK\$717.5 million (six months ended 31 August 2007: HK\$467.1 million). Gross profit margin of our retail operation was maintained at 60.7% (six months ended 31 August 2007: 60.8%). The slight improvement in the gross profit margin of our Hong Kong retail operation has compensated the dilution effect of the consolidation of our China operation of which gross profit margin is lower.

Total operating expenses increased by 63.0% to HK\$691.9 million (six months ended 31 August 2007: HK\$424.4 million), representing 58.6% of total revenue (six months ended 31 August 2007: 52.5%). Total rental expenses (including management fee, rates and government rent) as a percentage of total revenue increased from 22.5% for the six months ended 31 August 2007 to 24.8% for the six months ended 31 August 2008, primarily due to consolidation of our China operation which has a lower revenue base. Total staff cost (excluding share option expenses) as a percentage of total revenue was maintained at 19.1% (six months ended 31 August 2007: 18.9%). To celebrate our 20th anniversary as well as strengthening our corporate and brand image in both Hong Kong and Mainland China markets, advertising and promotion expenses increased by HK\$18.4 million to HK\$28.6 million, representing 2.4% (six months ended 31 August 2007: 1.3%) of total revenue.

Operating profit decreased by 63.9% to HK\$15.9 million (six months ended 31 August 2007: HK\$44.1 million) and EBITDA (earnings before interest, taxation, depreciation and amortisation expenses and excluding the share of results of jointly controlled entities) decreased by 17.7% to HK\$69.6 million (six months ended 31 August 2007: HK\$84.6 million). The fall in operating profit and EBITDA could be attributable to increase of some discretionary expenses such as HK\$13.6 million increase in advertising and promotion expenses related specifically to our 20th anniversary celebration and HK\$13.8 million increase in share option expenses. If, however, advertising and promotion expenses as a percentage of revenue was maintained at the same level as last year and increase of the non-cash share option expenses are excluded, EBITDA would have increased by 14.8% to HK\$97.1 million (six months ended 31 August 2007: HK\$84.6 million) and operating income from core operating business would have decreased by 1.7% only to HK\$43.4 million (six months ended 31 August 2007: HK\$44.1 million).

As a result of decrease in operating profit coupled with HK\$7.3 million decrease in net finance income, net profit decreased by 66.0% to HK\$15.0 million (six months ended 31 August 2007: HK\$44.1 million).

(b) Hong Kong

Sales from retail operation increased by 18.0% to HK\$886.7 million (six months ended 31 August 2007: HK\$751.2 million) at an overall comparable store sales growth rate of 5.8%. Given the current volatile market conditions, the Management thinks such growth rates are gratifying although they are lower than last year's.

Retail sales of in-house brands increased by 26.7% to HK\$406.5 million (six months ended 31 August 2007: HK\$320.9 million), contributing 45.8% of total retail sales. Retail sales of international brands increased by 21.2% to HK\$436.6 million (six months ended 31 August 2007: HK\$360.3 million), contributing 49.2% of total retail sales. Contribution from licensed brands continued to decrease to 5.0% of total retail sales, recording retail sales of HK\$43.6 million (six months ended 31 August 2007: HK\$70.0 million). International brands remain the major revenue contributor, although in-house brands are catching up and increased at a faster rate than international brands.

Given our strong brand equity, we not only have been able to pass on the material cost increase to consumers, but have also improved the gross profit margin of retail operation slightly from 61.4% for the six months ended 31 August 2007 to 62.1% for the six months ended 31 August 2008.

In the inflationary environment, rental expenses (including management fee, rates and government rent) as a percentage of total revenue increased from 22.5% for the six months ended 31 August 2007 to 23.9% for the six months ended 31 August 2008. As we hired more staff at the Hong Kong corporate headquarter to manage our business expansion in China, staff cost (excluding share option expenses) as a percentage of total revenue increased from 18.9% for the six months ended 31 August 2007 to 20.6% for the six months ended 31 August 2008. Total operating expenses increased by 24.2%. If the HK\$13.8 million increase in non-cash share option expenses are excluded and advertising and promotion expenses as a percentage of revenue was maintained at the same level as last year, total operating expenses would have increased by 18.6% only, which is close to the 18.4% increase in gross profit.

The substantial increase in total operating expenses explained the HK\$27.6 million (or 62.5%) decrease in operating profit. Again, if increase of the non-cash expenses of share option are excluded and advertising and promotion expenses as a percentage of revenue was maintained at the same level as last year, operating income from core operating business of Hong Kong would have only dropped by 9.4%.

Our joint venture with French Connection Group plc reported 9.6% increase in total retail revenue at a comparable store sales growth rate of 8.6%. As a result of efficient control of operating expenses, net profit jumped by 57.3%.

On 25 June 2008, we formed another 50:50 joint venture with Zadig & Voltaire, a chic and funky French fashion label very popular in Continental Europe, UK and Japan. The first store of the new joint venture was opened at Pacific Place, Admiralty in mid July.

(c) Mainland China

In this first half, a lot of unforeseen events have negatively affected the business. There were natural disasters – snowstorm and Sichuan earthquake. Stock and property markets corrections which were accelerated by the recent global financial tsunami have also, to a certain extent, dampened the consumption sentiment. During the Olympic Games, people spent more time at home and the various restrictions imposed by the Beijing Government have also reduced traffic. Despite these setbacks, in Renminbi terms, sales from retail operation still increased by 27.8% to RMB212.0 million (six months ended 31 August 2007: RMB165.9 million, operated by our ex-China joint venture) with an overall comparable store sales growth rate of 15.5%.

Retail sales of in-house brands increased by 48.6% to RMB88.0 million (six months ended 31 August 2007: RMB59.2 million, operated by our ex-China joint venture), contributing 41.5% of total retail sales. Retail sales of international brands increased by 26.1% to RMB115.6 million (six months ended 31 August 2007: RMB91.7 million, operated by our ex-China joint venture), contributing 54.5% of total retail sales. Same as Hong Kong operation, contribution from licensed brands continued to decrease to 4.0% of total retail sales, recording retail sales of RMB8.4 million (six months ended 31 August 2007: RMB15.1 million, operated by our ex-China joint venture).

With a higher proportion of sales contribution from international brands which have a lower gross profit margin as well as various taxation factors, the overall gross profit margin of our China operation is lower than our Hong Kong operation. For the six months ended 31 August 2008, the gross profit margin of our China retail operation was 55.6% which compared to 62.1% of our Hong Kong retail operation. The fact that sales growth in in-house brand segment is faster than the international brand segment should help to reverse this situation in the medium term.

Rental expenses (including management fee) accounted for 26.2% of total revenue, which was higher than our Hong Kong operation as a result of lower revenue base. As a lot of back-office functions such as merchandising, product design are provided by the team in Hong Kong, the staff cost as a percentage of total revenue was lower and stood at 13.6% for the six months ended 31 August 2008. Following the buyback of our ex-China joint venture, we are committed to investing more resources to strengthen our brand and corporate image in Mainland China. We spent HK\$7.4 million in this first half on advertising and promotion, which was already higher than our ex-China joint venture did for the last full financial year.

Despite the substantial increase in operating expenses to integrate and consolidate our ex-China joint venture in this transitional year following the buyback, we managed to run the business profitably, recording HK\$3.2 million operating profit and break even on net bottom line.

(d) Others

At present, the Company has opened 7 stores at The Venetian Macau, increasing our total number of stores in Macau to 11. We believe that despite recent drop in tourist numbers in Macau because of a change of the Mainland Government traveling policy, Macau will ultimately develop into the Las Vegas in Asia which will not only attract gamblers but also families and corporate clients. The Macau business reported a net loss of HK\$3.9 million in this first half because of its early stage of development.

Taiwan operation recorded a comparable store sales growth rate of 16.5% and was slightly profitable in the six months ended 31 August 2008. In view of such improved performance, we have decided to open a flagship store for <http://www.izzue.com> in Taipei in October in order to further strengthen the brand as well as keep pushing sales. Although Taiwan seems to have a better relationship with Mainland China and there is increasing possibility of direct flight between Taiwan and Mainland China, we remain conservative and will expand in this market again only cautiously.

As at 31 August 2008, the Group had 17 franchised stores outside the Greater China, 7 stores in Saudi Arabia and 10 stores in Thailand. Two 5cm stores will be opened in the new market of Melbourne, Australia this November.

Share of Results of Jointly Controlled Entities

In the six months ended 31 August 2007, jointly controlled entities comprised G.S-i.t Limited (now renamed as I.T China Limited) (50:50 joint venture with Glorious Sun Enterprises Limited covering Mainland China, Macau and Taiwan) and FCUK IT Company (50:50 joint venture with French Connection Group plc covering Hong Kong). The buyback of our China joint venture was completed on 28 November 2007. So in the six months ended 31 August 2008, jointly controlled entities comprised a 50:50 joint venture with French Connection Group plc covering Hong Kong, Mainland China and Macau and a 50:50 joint venture with Zadig & Voltaire covering Hong Kong.

As a result of the improvement in the operation of the joint venture with French Connection Group plc for Hong Kong, share of results of jointly controlled entities turned from a loss of HK\$0.9 million for the six months ended 31 August 2007 to a profit of HK\$1.8 million for the six months ended 31 August 2008.

Cash Flows

Operating cash-flow turned from an inflow of HK\$19.9 million in the six months ended 31 August 2007 to an outflow of HK\$103.5 million in the six months ended 31 August 2008 as inventory increased at a rate faster than the revenue as well as progress payments made on renovation work on shops. Net cash used in investing activities comprising mainly acquisition of furniture and equipment was HK\$73.5 million (six months ended 31 August 2007: HK\$2.6 million). Net cash used in financing activities was HK\$107.3 million (six months ended 31 August 2007: HK\$48.5 million). The substantial increase in the net cash used in financing was mainly due to the increased payment of final dividend of previous financial year from HK\$52.0 million in the six months ended 31 August 2007 to HK\$98.2 million in the six months ended 31 August 2008.

Inventory

Inventory turnover days of the Group increased from 114.2 days for the six months ended 31 August 2007 to 155.9 days for the six months ended 31 August 2008. The slowdown in the general economy has reduced the turnover of inventory to lower than we had anticipated.

Liquidity and capital resources

As at 31 August 2008, total cash and bank balances amounted to HK\$148.8 million (29 February 2008: HK\$424.9 million) and the total liabilities were HK\$396.4 million (29 February 2008: HK\$331.6 million). As at 31 August 2008, shareholders' equity was HK\$1,181.3 million (29 February 2008: HK\$1,220.8 million).

As at 31 August 2008, the Group had aggregate banking facilities of approximately HK\$515.0 million (29 February 2008: HK\$448.5 million) for overdrafts, bank loans and trade financing, of which approximately HK\$405.1 million (29 February 2008: HK\$336.5 million) was unutilised. As at 31 August 2008, charges on assets amounted to HK\$0.75 million (29 February 2008: HK\$0.75 million) comprising bank deposit pledged for letters of guarantee issued by banks in lieu of rental deposits. The Group had HK\$2.5 million bank borrowings as at 31 August 2008 (29 February 2008: HK\$10.0 million). The current ratio as at 31 August 2008 was 2.5 (29 February 2008: 2.9) and its gearing was 0.2% (29 February 2008: 0.8%) based on Shareholders' equity.

Contingent Liabilities

As at 31 August 2008, the Group did not have significant contingent liabilities (29 February 2008: Nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward currency contract with major and reputable institutions to hedge foreign exchange risk. As at 31 August 2008, the notional amounts of outstanding forward currency exchange contracts to buy Japanese Yen, Euros and Sterling Pound 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\$281.5 million (29 February 2008: HK\$31.6 million).

Business Combinations

On 1 March 2008, the Group acquired the remaining 49% equity interest in Top Alliance Enterprises Limited, a then jointly controlled entity of the Group for a cash consideration of HK\$1,780,000. The acquired business contributed revenues of HK\$10.3 million and net profit of HK\$3.9 million to the Group for the period from 1 March 2008 to 31 August 2008.

Use of Proceeds

As at 1 March 2008, the unutilised proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK\$83.7 million. For the six months ended 31 August 2008, net proceeds were utilised in the following manners:

	Balance as at 1 March 2008 HK\$'000	Utilised during the period HK\$'000	Balance as at 31 August 2008 HK\$'000
Expansion of retail network in the Greater China	82,658	(82,658)	–

Employment, Training and Development

The Company had a total of 2,992 employees as at 31 August 2008 (29 February 2008: 2,912) following consolidation of our China operation. Training and development courses were regularly organised for employees to enhance both of their specialised technical and product knowledge as well as marketing and sales to general business management skills. The Company offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performances.

Future Outlook

The decrease in net profit of the Group in the first 6 months was mainly due to the increase of discretionary advertising and promotion expenses mainly related to our 20th anniversary, non-cash share option expenses and the decrease of non-operational interest and other income. We believe the fundamentals of our business remain intact and healthy. However, in view of the challenging business environment ahead, we have already taken measures to tighten our control especially on advertising and promotion spent and staff cost.

Entering the second half, although the total retail sales for Hong Kong in September increased by a low single digit percentage only, it bounced back significantly to a 23.7% increase with a comparable store sales growth rate of 13.5% during the Golden Week with the implementation of more vigorous marketing efforts such as VIP sale and tourist promotion. We remain cautious about the Hong Kong market over the next 6 to 12 months given the likely softening economy. To protect and sustain our business momentum in Hong Kong and keep the business profitable is still the key goal of the Company.

Regarding Mainland China, our outlook is cautiously optimistic. Total retail sales increased by 46.6% and comparable store sales growth rate was 21.0% in September. During the Golden Week, the two indicators increased by 71.8% and 45.0% respectively. It is generally believed that the Beijing Government will introduce measures to boost domestic consumption in order to counter balance the slowdown in export. We have already started seeing relaxation in the policies towards the property market. These changes are favorable to the consumer market. But we did not open many new stores in Mainland China in this first half, partly due to hindrances associated with the Olympic Games and we have no plan to add new stores in the second half except those that have been committed. Two new stores (for <http://www.izzue.com> and b+ab) will be opened at the newly opened the Village at Sanlitun (South, owned and managed by Swire Properties) in Beijing early next year. We are opportunistically looking into new projects for expansion in next financial year. We are in negotiation to lease a newly renovated building with a total gross area of 100,000 sq. ft. in Shanghai. This will be a new retail strategy we are implementing in the Mainland leveraging our multi-brand multi-segment business model to full strength. If this project proceeds, the building will be converted into a lifestyle I.T mall housing all of our in-house labels and most of our international labels. Despite the recent market volatility, our target to increase our sales footage to no less than 450,000 sq. ft. in Mainland China, Macau and Taiwan by 2010 remains unchanged but would be loaded towards next year and after.

With a gearing ratio close to zero, the Group was holding about HK\$146 million net cash as at 31 August 2008. The fact that our operation in Hong Kong continues to be profitable and our operation in Mainland China is breaking even and continues to improve suggest that we do not have immediate cash requirement for the time being. However, in order to build an adequate capital pool for some of the expansion projects described above as well as working towards a more efficient capital structure, we are delighted to be able to obtain new banking facilities by our principal banks during this difficult period. The Group believes that this is a vote of confidence on our business. Going forward, the Group strives to maintain a good balance between business expansions and hence shareholders return as well as a healthy balance sheet with a gearing ratio to no more than 20%.

Taken together, we believe that the markets in Hong Kong would be very challenging for the next year or two. We will take a more defensive strategy here and the goal is to protect our market share while making sure that the business is profitable and cash flow is positive. In China where we believe there will be continuous growth in the domestic consumer market, we plan to grow effectively and efficiently through newly developed retail strategy such as the I.T multi-brand mall in Shanghai as well as leveraging lower costs distribution through department stores. However, even with these growth goals in mind the key tactic over the coming two years is to maintain and build a strong and capital-efficient balance sheet for the Group.

DISCLOSURE OF INTEREST

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

As at 31 August 2008, the interests or short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

Director	Capacity	Number of shares held	Percentage of interest in the Company
Sham Kar Wai	Interest in controlled company and beneficiary of trust (Notes 1 and 2)	672,075,000	58.19%
Lo Wing Yan, William	Beneficial owner	1,008,000	0.09%
Sham Kin Wai	Interest in controlled company and beneficiary of trust (Notes 2 and 3)	672,075,000	58.19%

Notes:

- (1) Mr. Sham Kar Wai holds 25% of the issued share capital of 3WH Limited. Miss Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) also holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to have a controlling interest in 3WH Limited and is therefore deemed to be interested in the interests of 3WH Limited in the Company.
- (2) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of Effective Convey Limited in the Company.
- (3) Mr. Sham Kin Wai holds 50% of the issued share capital of 3WH Limited. Mr. Sham Kin Wai is deemed to have a controlling interest in 3WH Limited and is therefore deemed to be interested in the interests of 3WH Limited in the Company.

(b) Long positions in share options of the Company

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

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

Director	Name of associated corporations	Capacity	Approximate percentage of shareholding
Sham Kar Wai	3WH Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Optimum Performance Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Optimum Performance Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 August 2008.

DISCLOSURE OF INTEREST (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" below, at no time during the period ended 31 August 2008 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any body corporate.

SHARE OPTIONS

- (a) The Company adopted a share option scheme (the "First Share Option Scheme") on 3 February 2005, pursuant to which it 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.

On 28 April 2005, the Company granted options under the First Share Option Scheme to a Director and certain employees of the Group to subscribe for an aggregate of 15,750,000 shares in the Company at a price of HK\$2.35 per share, exercisable during the period from 28 April 2005 to 27 April 2008. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$2.125. On 11 April 2008, there were an aggregate of 3,450,000 options outstanding and unexercised and the Remuneration Committee of the Board of Directors extended the exercise period of these options till 27 October 2008.

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

On 1 June 2007, the Company granted options under the Share Option Scheme to a Director to subscribe for an aggregate of 4,000,000 shares in the Company at a price of HK\$1.47 per share, exercisable during the period from 1 June 2007 to 31 May 2010. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$1.50.

On 14 April 2008, the Company granted options under the First Share Option Scheme to:-

- (i) two Directors to subscribe for an aggregate of 20,000,000 shares in the Company at a price of HK\$2.47 per share. The options would be vested in three years time and with a three years exercise period after vested (Note 1).
- (ii) a Director and certain employees of the Group to subscribe for an aggregate of 34,300,000 shares in the Company at a price of HK\$2.25 per share. The options would be vested in three years time and with a three years exercise period after vested (Notes 2 and 4).

The closing price of the Company's shares immediately before the date on which the options were granted was HK\$2.23.

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. However, 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") 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.

DISCLOSURE OF INTEREST (Continued)

SHARE OPTIONS (Continued)

(a) (Continued)

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.

Up to 31 August 2008, no option has been granted since the adoption of 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 period ended 31 August 2008 are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options				Held as at 31 August 2008
				As at 1 March 2008	Granted during the period	Exercised during the period	Lapsed during the period	
Director								
Sham Kar Wai	14 April 2008 (Note 1)	14 April 2008 to 13 April 2013	2.47	–	10,000,000	–	–	10,000,000
Lo Wing Yan, William	16 February 2007	16 February 2007 to 15 February 2010	1.56	6,000,000	–	–	–	6,000,000
	1 June 2007	1 June 2007 to 31 May 2010	1.47	4,000,000	–	–	–	4,000,000
	14 April 2008 (Note 2)	14 April 2008 to 13 April 2013	2.25	–	4,000,000	–	–	4,000,000
Sham Kin Wai	14 April 2008 (Note 1)	14 April 2008 to 13 April 2013	2.47	–	10,000,000	–	–	10,000,000
Continuous contract employees	28 April 2005 (Note 3)	28 April 2005 to 27 October 2008	2.35	3,450,000	–	(360,000)	(100,000)	2,990,000
	14 April 2008 (Note 4)	14 April 2008 to 13 April 2013	2.25	–	30,300,000	–	(300,000)	30,000,000
				<u>13,450,000</u>	<u>54,300,000</u>	<u>(360,000)</u>	<u>(400,000)</u>	<u>66,990,000</u>

DISCLOSURE OF INTEREST (Continued)

SHARE OPTIONS (Continued)

(a) (Continued)

Notes:

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

Vesting date	Exercise periods	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 periods	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) (a) The options ought to be expired after 27 April 2008. On 11 April 2008, the Remuneration Committee of the Board of Directors extended the exercise period till 27 October 2008.

(b) 120,000 options were exercised on 14 May 2008, the closing price of the Company's shares immediately before the date on which the options were exercised was HK\$2.60. 240,000 options were exercised on 14 May 2008, the closing price of the Company's shares immediately before the date on which the options were exercised was HK\$2.64.

(4) 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 period
14 April 2008	14 April 2008 to 13 April 2011	10,640,000	120,000
14 April 2009	14 April 2009 to 13 April 2012	9,830,000	90,000
14 April 2010	14 April 2010 to 13 April 2013	9,830,000	90,000
		30,300,000	300,000

DISCLOSURE OF INTEREST (Continued)

SHARE OPTIONS (Continued)

- (b) For the determination of the fair value of the share options granted under the First 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 were as follows:-

	Options granted on 28 April 2005 under the First Share Option Scheme	Options granted on 16 February 2007 under the First Share Option Scheme	Options granted on 1 June 2007 under the First Share Option Scheme	Options granted on 14 April 2008 under the First Share Option Scheme		
	(Note 1)					
Share price at the grant date	HK\$2.10	HK\$2.23	HK\$1.55	HK\$1.46	HK\$2.24	HK\$2.24
Exercise price per share	HK\$2.35	HK\$2.35	HK\$1.56	HK\$1.47	HK\$2.47	HK\$2.25
Standard deviation of expected share price returns	33%	43%	36%	35%	43%	43%
Expected life of options	1.6 years	0.5 year	3 years	2.7 years	4.0 years	1.0 year
Expected dividend paid out rate	2.50%	4%	3.50%	3.00%	4.00%	4.00%
Annual risk free rate	2.79%	1.10%	4.11%	4.36%	1.99%	1.99%

Note:

- (1) The options ought to be expired after 27 April 2008. On 11 April 2008, the Remuneration Committee of the Board of Directors extended the exercise period till 27 October 2008.

DISCLOSURE OF INTEREST (Continued)

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

As at 31 August 2008, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Name	Capacity	Number of shares held	Percentage of interests in the Company
3WH Limited	Beneficial owner	336,037,500	29.09%
Effective Convey Limited	Beneficial owner	336,037,500	29.09%
Dynamic Vitality Limited (Note 1)	Interest in corporation	336,037,500	29.09%
The ABS 2000 Trust (Notes 1 and 2)	Interest in corporation	336,037,500	29.09%
HSBC International Trustee Limited (Note 2)	Interest in corporation	336,037,500	29.09%
Glorious Sun Trading (HK) Limited	Beneficial owner	102,827,473	8.90%
Glorious Sun Enterprises (BVI) Limited (Note 3)	Interest in corporation	102,827,473	8.90%
Glorious Sun Enterprises Limited (Note 3)	Interest in corporation	102,827,473	8.90%
Glorious Sun Holding (BVI) Limited (Note 4)	Interest in corporation	102,827,473	8.90%
Yeung Chun Kam (Note 4)	Interest in controlled company	102,827,473	8.90%
Yeung Chun Fan (Note 4)	Interest in controlled company	102,827,473	8.90%
Cheung Wai Yee (Note 5)	Interest of spouse	102,827,473	8.90%
Arisaig Greater China Fund Limited	Beneficial owner	100,226,000	8.68%
Arisaig Partners (Mauritius) Ltd. (Note 6)	Interest in corporation	100,226,000	8.68%
Lindsay William Ernest Cooper (Note 7)	Interest in corporation	100,226,000	8.68%

Notes:

- Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. Each of Dynamic Vitality Limited and The ABS 2000 Trust is therefore deemed interested in the Shares held by Effective Convey Limited.
- The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.
- 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.
- 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.
- Spouse of Mr. Yeung Chun Fan.
- Arisaig Partners (Mauritius) Ltd is the fund manager of Arisaig Greater China Fund Limited.
- Mr. Lindsay William Ernest Cooper is deemed interested in the Shares held by Arisaig Greater China Fund Limited through his indirect 33.33% interest in Arisaig Partners (Mauritius) Ltd.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 August 2008 (six months ended 31 August 2007: HK2.1 cents) and proposes that the profit for the period be retained.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

In the opinion of the Board, the Company has complied with the code provisions in Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 August 2008 except for the deviations as mentioned below.

The Company is fully aware that in order to reinforce the Directors' respective independence, accountability and responsibility, the role of the Chairman should be separated from that of the Chief Executive Officer. However, Mr. Sham Kar Wai currently holds both positions. The Board believes that (1) vesting the roles of both Chairman and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans; and (2) the risk of concentration of power is mitigated by the sharing of the executive management of the business between Mr. Sham Kar Wai and Dr. Lo Wing Yan, William, the Vice Chairman and Managing Director.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2008, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information and interim report for the six months ended 31 August 2008.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2008.

On Behalf of the Board



Sham Kar Wai
Chairman

Hong Kong, 30 October 2008

T IS FASHION

shaping the fashion scene in Greater China