I.T LIMITED

(Incorporated in Bermuda with limited liability)

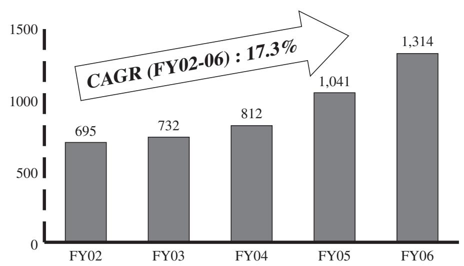
(Stock Code: 999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2006

- **Sales reached HK$1,314.4 million, increased by 26.3%**
- **Gross profit margin from retail operation reduced to 61.1% (2005: 62.3%)**
- **Rental expenses as a percentage of sales increased to 21.5% (2005: 20.2%)**
- **Staff cost (excluding share-based compensation) as a percentage of sales maintained at 16.5% (2005: 16.3%)**
- **Other operating overheads (excluding rental, staff costs, share-based compensation and depreciation) as a percentage of sales improved to 6.8% (2005: 7.3%)**
- **Net profit was HK$122.3 million, increased by 9.8% and EPS was HK$0.12**
- **Application of new accounting standards has resulted in a share-based compensation of HK$13.9 million charged to income statement**

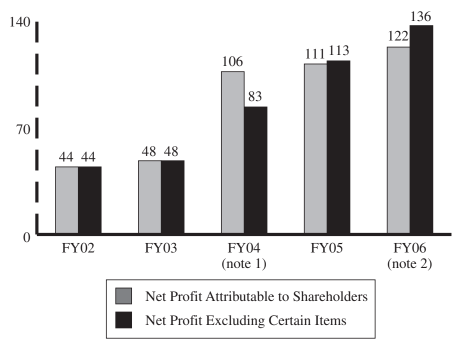
  Excluding the share-based payment, net profit would have been HK$136.2 million, increased by 20.8%, and EPS would have been HK$0.13

TURNOVER TREND FY02-06 (HK$ MILLION)



CAGR – Compound Annual Growth Rate

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK$ MILLION)



Certain items referred to:–

Note 1 – a HK$13.3 million write-back on provision of inventory and a gain of HK$9 million on disposal of subsidiaries

Note 2 – a HK$13.9 million share-based compensation

The board of directors (the "Board") of I.T Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2006, prepared on the basis set out in Note 1, together with the comparative figures for the year ended 28 February 2005, as follows:

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 28 FEBRUARY 2006

	Note	**2006**	2005
		HK$'000	*HK$'000*
			As restated
Sales	*2*	**1,314,443**	1,041,017
Cost of sales		**(540,243)**	(406,546)
Gross profit		**774,200**	634,471
Other gains, net	*3*	**16,384**	3,407
Operating expenses	*4*	**(642,553)**	(488,597)
Operating profit		**148,031**	149,281
Finance costs	*5*	**(1,665)**	(3,797)
Share of profit/(loss) of jointly controlled entities		**4,237**	(8,863)
Profit before taxation		**150,603**	136,621
Income tax expense	*6*	**(28,289)**	(25,181)
Profit for the year, attributable to the equity holders of the Company		**122,314**	111,440
Dividends	*8*	**49,867**	234,612
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– basic	*7*	**HK$0.12**	HK$0.16
– diluted	*7*	**HK$0.12**	HK$0.15

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2006

		2006	2005
		HK$'000	*HK$'000*
			As restated
ASSETS			
Non-current assets			
Furniture and equipment		**97,237**	62,043
Intangible assets		**19,169**	–
Investments in and due from jointly controlled entities		**51,699**	62,150
Rental deposits		**43,418**	40,858
Deferred income tax assets		**576**	2,642
Other assets		**1,080**	–
		213,179	167,693
Current assets			
Inventories		**147,398**	101,194
Trade receivables	*9*	**6,638**	9,840
Due from a jointly controlled entity		**44,557**	–
Prepayments, deposits and other receivables		**45,702**	29,304
Pledged bank deposits		**750**	17,750
Cash and cash equivalents		**424,881**	561,983
		669,926	720,071
LIABILITIES			
Current liabilities			
Borrowings		**–**	130,461
Trade and bills payables	*10*	**48,151**	40,873
Accruals and other payables		**62,739**	55,396
Derivative financial instruments		**2,430**	–
Current income tax liabilities		**9,900**	9,358
		123,220	236,088
Net current assets		**546,706**	483,983
Total assets less current liabilities		**759,885**	651,676
Non-current liabilities			
Borrowings		**–**	51,640
Other payables		**10,388**	–
Deferred income tax liabilities		**2,231**	925
		12,619	52,565
Net assets		**747,266**	599,111
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**103,890**	100,000
Reserves		**643,376**	499,111
Total equity		**747,266**	599,111

NOTES:

1 Summary of significant accounting policies

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

1.1 Basis of presentation

On 5 February 2005, the Company acquired the entire issued share capital of ithk holdings limited, a company incorporated in the British Virgin Islands, through a share exchange ("the Reorganisation") and consequently became the holding company of the subsidiaries. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 28 February 2005, rather than from the date on which the Reorganisation was completed.

1.2 Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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 Company's accounting policies. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of events and actions, actual results ultimately may differ from those estimates.

The adoption of new/revised HKFRS

For the year ended 28 February 2006, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 31, 33, 36, 38 and HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of share of net after-tax results of jointly controlled entities and other disclosures;

– HKASs 2, 7, 8, 10, 16, 17, 23, 27, 31, 33, 36, 38 and HKAS-Int 15 and HKFRS 3 had no material effect on the Group's policies;

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements; and

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32, 39 and 39 (Amendment) has resulted in a change in the accounting policy relating to the recognition, measurement and classification of financial instruments. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 28 February 2005, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 March 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 March 2005 was expensed retrospectively in the income statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, where appropriate, are determined and recognised at 1 March 2005;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 March 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 March 2005; and

– HKFRS 3 – prospectively after the adoption date.

(i) The adoption of HKFRS 2 resulted in:

	2006	2005
	HK$'000	*HK$'000*
Increase in share-based compensation reserves	**15,197**	1,293
Decrease in retained profits	**15,197**	1,293
Increase in employment costs	**13,904**	1,293
Decrease in basic earnings per share (expressed in HK$)	**0.013**	0.002
Decrease in diluted earnings per share (expressed in HK$)	**0.013**	0.002

There was no impact on opening retained profits at 1 March 2004 from the adoption of HKFRS 2.

(ii) The adoption of HKASs 39 and 39 (Amendment) resulted in a decrease in retained profits at 1 March 2005 by approximately HK$13,145,000 and the details of the adjustments to the consolidated balance sheet as at 28 February 2006 are as follows:

	2006
	HK$'000
Decrease in rental deposits	**3,824**
Increase in prepayments	**3,776**
Decrease in amounts due from jointly controlled entities	**11,604**
Increase in inventories	**422**
Increase in derivative financial instruments liabilities	**2,430**
Decrease in other payables	**1,070**
Decrease in retained profits	**10,855**
Increase in hedging reserve	**1,735**

2 Segment information

(a) Analysis of sales by category:

	2006	2005
	HK$'000	*HK$'000*
Sales of fashion wears and accessories	**1,310,600**	1,039,926
Royalty income	**3,843**	–
Consultancy fees	**–**	1,091
	1,314,443	1,041,017

(b) Segment information

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

No segment analysis for geographical segment is presented as substantially all of the Group's sales, operating results, assets and liabilities were located in Hong Kong.

3 Other gains, net

	2006	2005
	HK$'000	*HK$'000*
Interest income		
– bank deposits	**14,059**	3,407
– loans and receivables	**2,598**	–
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	**(273)**	–
	16,384	3,407

4 Expenses by nature

Expenses included in cost of sales and operating expenses are determined after charging/(crediting) the following items:

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**532,802**	396,342
Write-downs of inventories to net realisable value	**3,177**	7,697
Employment costs (including directors' emoluments)	**231,130**	171,820
Operating lease rentals of premises		
– minimum lease payments	**223,550**	165,605
– contingent rents	**13,670**	13,435
Advertising and promotion costs	**9,853**	10,959
Depreciation of furniture and equipment	**41,452**	31,520
Licence fee		
– amortisation of licence right	**10,355**	–
– contingent licence fee	**5,387**	7,144
Net exchange gains	**(4,643)**	(4,398)

5 Finance costs

	2006	2005
	HK$'000	*HK$'000*
Interest expense		
– bank borrowings wholly repayable within five years	**969**	2,547
– convertible notes	**–**	1,250
– financial liabilities	**696**	–
	1,665	3,797

6 Income tax expense

The Company is exempted from taxation in Bermuda until March 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

The amount of taxation charged to the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**24,917**	26,172
Deferred income tax	**3,372**	(991)
	28,289	25,181

Share of jointly controlled entities' tax credit for the year ended 28 February 2006 of approximately HK$722,000 (2005: nil) is included in the income statement as share of profit of jointly controlled entities.

7 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**122,314**	111,440
Weighted average number of ordinary shares in issue ('000)	**1,035,466**	703,930
Basic earnings per share (HK$ per share)	**0.12**	0.16

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. The Company has two categories of dilutive potential ordinary shares: convertible notes (for the year ended 28 February 2005) and share options (for the years ended 28 February 2006 and 2005). The convertible notes are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done 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.

	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**122,314**	111,440
Interest expense on convertible notes, net of tax	**–**	1,250
Profit used to determine diluted earnings per share	**122,314**	112,690
Weighted average number of ordinary shares in issue ('000)	**1,035,466**	703,930
Adjustments for		
– share options ('000)	**5,362**	–
– assumed conversion of convertible notes ('000)	**–**	47,148
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,040,828**	751,078
Diluted earnings per share (HK$ per share)	**0.12**	0.15

8 Dividends

	2006	2005
	HK$'000	*HK$'000*
Interim, paid	**–**	190,000
Final, proposed, of HK4.8 cents (2005: HK4.3 cents) per ordinary share	**49,867**	44,612
	49,867	234,612

During the year ended 28 February 2005, dividend of HK$190,000,000 represented dividend paid by ithk holdings limited, a wholly owned subsidiary, out of its retained profits to its then shareholders before the Reorganisation (see Note 1.1). Approximately HK$121,808,000 of such dividends was settled by offsetting amounts due from a director of ithk holdings limited and certain related parties at the instructions of the relevant shareholders.

9 Trade receivables

The Group's sales are mainly in cash or credit/debit cards. The Group grants to a limited number of corporate customers credit periods generally ranging from 30 to 60 days. As at 28 February 2006, all trade receivables were aged between 0 and 90 days (2005: between 0 and 90 days).

10 Trade and bills payables

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

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**41,543**	38,051
31 to 60 days	**4,883**	2,342
61 to 90 days	**529**	324
91 to 180 days	**852**	110
181 to 365 days	**256**	38
Over 365 days	**88**	8
	48,151	40,873

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK4.8 cents (2005: HK4.3 cents) per share for the year ended 28 February 2006. The final dividend amounting to approximately HK$49,867,000, if approved by the shareholders at the forthcoming annual general meeting to be held on 26 July 2006, is expected to be paid on or around 4 August 2006 to those shareholders whose names appear on the Register of Members on 26 July 2006.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The retail environment for the year ended 28 February 2006 was a mixed year. The economy in Hong Kong was recovering, unemployment rate was declining and there were expectations of increased economic activities following the opening of a major theme park in Hong Kong. As a result of the positive economic environment, rent and wages increased. However, the retail sentiment was subsequently undermined by the swift and continued increase in interest rate which is believed to have affected consumer spending power, unfavourable weather and less than expected Mainland travelers to Hong Kong.

In line with its plan, the Company added a total of 58,000 sq. ft. of new sales area during the year ended 28 February 2006. As at 28 February 2006, the Company's total sales area was 294,000 sq. ft. (excluding French Connection stores operated by FCUK IT Company, a 50% owned joint venture), representing an increase of 24.6% compared to the total sales area of 236,000 sq. ft. as at 28 February 2005. Sales from retail operation increased by 23.2% to HK$1,245.4 million for the year ended 28 February 2006 (2005: HK$1,011.3 million).

The "I.T" in Festival Walk and Pacific Place added 9,000 sq. ft. more sales area for the sale of high end international brands. The comparable stores sales of "I.T" recorded a 15.3% growth as compared to the year ended 28 February 2005. Sales of products of international brands increased by 33.0% to HK$578.9 million (2005: HK$435.1 million), which accounted for 44.0% (2005: 41.8%) of total sales. Sales of products of in-house and licensed brands increased by 18.6% to HK$666.5 million (2005: HK$562.1 million), which accounted for 50.7% (2005: 54.0%) of total sales. The percentage shift in the sales of international brands against in-house and licensed brands was mainly attributable to the increase in new sales footage for the international brands. The prolonged increase in interest rate might have also weakened the purchasing power of the in-house and licensed brands customer group. The overall comparable stores sales of the Company decreased by 2.6% as compared to the year ended 28 February 2005.

Gross profit increased by 22.0% to HK$774.2 million in the year ended 28 February 2006 (2005: HK$634.5 million). The gross profit margin of retail operation slightly declined to 61.1% (2005: 62.3%). The decrease in gross profit margin was mainly due to the shift in product mix to international brands, which comparatively have a lower margin than in-house and licensed brands, and a slightly deeper discount being offered from the in-house and licensed brands.

Rental expenses (including rental charge, rented premises management fee, rates and government rent) increased by 34.4% to HK$282.5 million for the year ended 28 February 2006 (2005: HK$210.2 million), which was in line with the increase of weighted average sales area for store in operation during the year. The weighted average sales footage for stores in operation for the year ended 28 February 2006 increased by 35.8% to 273,000 sq. ft. (2005: 201,000 sq. ft.). As a percentage of total sales, rental expenses slightly increased to 21.5% (2005: 20.2%).

Resulting from the increase in sales footage, staff cost (excluding the share-based compensation in respect of Pre-IPO share options and share options) for the year ended 28 February 2006 increased by 27.4% to HK$217.2 million (2005: HK$170.5 million). As a percentage of total sales, staff cost (excluding share-based compensation) was maintained at 16.5% (2005: 16.4%).

Other operating overheads (excluding rental expenses, staff costs, share-based compensation and depreciation) as a percentage of total sales improved to 6.8% (2005: 7.3%).

During the year ended 28 February 2006, share-based compensation of HK$13.9 million (2005: HK$1.3 million) was charged to the income statement. After accounting for the aforementioned share-based compensation, the net profit for the year ended 28 February 2006 was HK$122.3 million (2005: HK$111.4 million), an increase of 9.8%. Excluding the share-based compensation, the net profit of the year ended 28 February 2006 would have increased by 20.8% to HK$136.2 million (2005: HK$112.7 million).

Net sales of G.S – i.t Limited ("GSIT") (50% owned joint venture) increased by 126.8% to HK$210.2 million in the year ended 28 February 2006 (2005: HK$92.7 million), as a result of increased brand recognition of I.T in the PRC market. A total of 60,000 sq. ft. new sales footage was added in the PRC during the year, representing an increase of 48.8% as compared to the previous year. The multi-brand mega store concept was well received by customers and franchisees and therefore GSIT continued to apply this concept in building its distribution network during the year. Out of the 60,000 sq. ft. new sales footage that was added, 46,000 sq. ft. was opened as directly managed multi-brand mega stores. Multi-brand stores housing the Company's in-house/licensed brands were also opened in Shenyang, Nanjing and Macau by franchisees during the year ended 28 February 2006. As at 28 February 2006, GSIT had 122 points of sales (including 11 French Connection stores, operated by a 50% joint venture with French Connection) with a sales footage of 183,000 sq. ft. in the PRC (2005: 93 stores (including one French Connection store) with a sales footage of 123,000 sq. ft.) and 23 stores in Taiwan (2005: 12 stores).

Operating Profit and Earnings (excluding the share-based compensation) before Interest, Taxation, Depreciation and Amortisation Expenses (EBITDA)

EBITDA for the year ended 28 February 2006 increased by 10.3% to HK$196.8 million (2005: HK$178.5 million). Because of the decrease in gross profit margin, EBITDA as a percentage of total sales decreased to 15.0% for the year ended 28 February 2006 (2005: 17.1%).

Operating profit decreased by 0.8% to HK$148.0 million for the year ended 28 February 2006 (2005: HK$149.3 million). Excluding the share-based compensation, operating profit for the year ended 28 February 2006 would have increased by 7.5% to HK$161.9 million (2005: HK$150.6 million).

Share of results of Jointly Controlled Entities

Share of profit of jointly controlled entities was HK$4.2 million (2005: loss of HK$8.9 million).

Cash Flows

Net cash generated from operating activities was HK$137.3 million for the year ended 28 February 2006 (2005: HK$140.2 million). Net cash used for investing activities was HK$134.1 million (2005: HK$162.6 million). For the year ended 28 February 2006, HK$77.1 million (2005: HK$60.5 million) was used for additions to furniture and equipment and HK$41.5 million (2005: HK$42.0 million) was used to finance the operation of jointly controlled entities. Net cash used for financing activities for the year ended 28 February 2006 was HK$140.3 million (2005: net cash inflow of HK$531.0 million), HK$71.4 million was received from issuance of shares for the year ended 28 February 2006, HK$44.6 million of dividends were paid to shareholders and long-term bank loans of HK$145.0 million were repaid.

Inventory

Inventory turnover days for the year ended 28 February 2006 were 84 days (2005: 75 days). Due to the unfavourable weather and the sluggish retail sentiment, there was a variance to the budgeted sales growth and the inventory turnover days increased.

Liquidity and Capital Resources

As at 28 February 2006, total cash and bank balances amounted to HK$425.6 million (2005: HK$579.7 million) and the total liabilities were HK$135.8 million (2005: HK$288.7 million). As at 28 February 2006, shareholders' equity was HK$747.3 million (2005: HK$599.1 million).

As at 28 February 2006, the Group had aggregate banking facilities of approximately HK$312.5 million (2005: HK$369.1 million) for overdrafts, bank loans and trade financing, of which approximately HK$235.1 million (2005: HK$122.2 million) was unutilised.

As at 28 February 2006, charges on assets amounted to HK$0.75 million, which was the bank deposit pledged for letters of guarantee issued by banks in lieu of rental deposits (2005: HK$54.9 million, comprising bank deposits of HK$17.8 million and inventories of HK$37.1 million held under trust receipts bank loan arrangements).

The Company had no bank borrowings as at 28 February 2006 (2005: HK$182.1 million). The current ratio as at 28 February 2006 was 5.4 (2005: 3.1).

Contingent Liabilities

As at 28 February 2006, letters of guarantee issued by banks in lieu of rental deposits amounted to HK$16.6 million (2005: HK$12.2 million).

Use of Proceeds

The proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK$514.9 million. For the year ended 28 February 2006, net proceeds were utilised in the following manner:

	Per Prospectus *HK$'000*	**Amount Utilised** *HK$'000*	**Balance as at 28 February 2006** *HK$'000*
Expansion of retail Network in Hong Kong	320,000	86,500	233,500
Expansion of retail Network in the PRC and Taiwan	90,000	20,000	70,000
Repayment of bank loans	95,000	95,000	–
Working capital	9,900	9,900	–
	514,900	211,400	303,500

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

Employment, Training and Development

The Group had a total of 1,283 employees as at 28 February 2006 (2005: 1,279). Training courses were regularly organised for employees to enhance technical and product knowledge as well as to update industry quality standards. The Group offered competitive remuneration packages to its employees, including basic salaries, allowances, insurance and bonuses. In addition, share options were granted based on individual performances.

Future Outlook

To further enhance the Company's brand portfolio and competitiveness, the Company will continue to introduce attractive and high valued imported brands, such as A Bathing Ape, Beams T and Baby Jane. New in-house brands, marketed within a more affordable price range with strong value for money attributes, is expected to be launched both in Hong Kong and in the PRC in winter 2006, which would further broaden the Company's customer base.

The multi-brand mega store concept has been a successful business model for the Group. It not only provides a pleasurable retail environment and product variety to customers, but also allows such stores to be an anchor tenant within the respective shopping malls or locations which enables the Company to enjoy more competitive rental terms. With the success of mega multi-brands store in apm, Cleveland Street and Festival Walk in Hong Kong and Oriental Plaza in Beijing and Plaza 66 in Shanghai, the Company intends to further refine this concept in Hong Kong, Beijing and Shanghai to set it as a model for other cities in the PRC.

The Board believes that the increase in rental expenses will be moderate although staff costs are expected to increase in the coming years. Despite signs of improvement in the domestic economy, oil prices and interest rates are expected to continue its rising trend. In addition, the supply of suitable retail locations is becoming more limited. Based on these factors, the Company expects to adopt a comparatively moderate expansion pace in Hong Kong for the year ending 28 February 2007. Approximately 30,000 to 40,000 sq. ft. of new sales area is expected to be added in the coming year.

The Company has obtained a Sub-Licence to open and operate the first Saks Fifth Avenue department store in the PRC. Saks Fifth Avenue sells distinctive luxury fashion men's, women's and children's wearing apparel, shoes and accessories, cosmetics and perfume, jewellery, home furnishings, gift items and other high end merchandises. Demand for luxurious products continuous to rapidly increase in the PRC. Through the opening and operation of the first Saks Fifth Avenue department store in the PRC, the Company will be able to break into the market of distributing well known and luxurious high end international labels in the PRC.

The Company is vigorously expanding its presence in other regions. Three "http://www.izzue.com" stores were opened in Saudi Arabia in April 2006. "http://www.izzue.com" and "5cm" will be launched in Thailand in June 2006. More stores will be opened progressively in these two countries in the coming years. Discussion is underway with other potential franchisees in the South East Asia. The Company believes that a meaningful wholesale business will enhance the overall margin and brand recognition and is therefore dedicated to further expanding its franchising network.

GSIT will continue to expand its presence in the PRC. The distribution network in Beijing will be further strengthened in 2006 and 2007, to capitalise on the anticipated rise in sales as a result of the 2008 Olympics in Beijing. GSIT expects to also extend its direct retail network outside Beijing, Shanghai and Hangzhou, by opening a 10,000 sq. ft. "I.T" in Xian in June 2006 and a 8,000 sq. ft. multi-brand store in Shekou, Shenzhen in July 2006 respectively. Furthermore, GSIT will become the sole distributor of Kenzo, LVMH group, and take over its distribution network in the PRC. At least eight Kenzo free-standing stores/concession counters will be added in GSIT's directly managed distribution network by September 2006. GSIT will aggressively introduce well-established high end international brands and designers' labels to the market and strengthen its brand portfolio as well as its distribution network. Despite the competitiveness of the retail market in Taiwan, GSIT expects to introduce more up-and-coming brands to expand its market share in Taiwan.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Group will be closed from Monday, 24 July 2006 to Wednesday, 26 July 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and for attending the forthcoming annual general meeting of the Group, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Group's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 21 July 2006.

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 (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 28 February 2006 except for the deviations as mentioned below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Sham Kar Wai currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals with a substantial member thereof being non-executive directors.

Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In the annual general meeting held on 11 August 2005, the shareholders of the Company passed a resolution amending the Company's Bye-laws in order to comply with this provision. Prior to the amendment, the Chairman of the Board and/or the managing director of the Company were not, whilst holding such office, subject to retirement by rotation.

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 year ended 28 February 2006, they have complied with the required standards 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 audited consolidated financial statements of the Group and the annual report for the year ended 28 February 2006.

The figures in respect of the preliminary announcement of the Group's results for the year ended 28 February 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 year ended 28 February 2006.

As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai, Dr. LO Wing Yan, William, J.P., Mr. SHAM Kin Wai and Mr. CHAN Wai Mo, Alva as Executive Directors, Dr. YEUNG Chun Kam, Charles S.B.S., J.P. as Non-executive Director, and Mr. CHAN Mo Po, Paul and Mr. WONG Wai Ming as Independent Non-executive Directors.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 29 May 2006

"Please also refer to the published version of this announcement in South China Morning Post."