THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **I.T Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of I.T Limited.

I.T

I.T Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

MAJOR AND CONNECTED TRANSACTIONS ACQUISITION OF THE REMAINING 50% INTEREST IN G.S-I.T LIMITED (THE JOINT VENTURE IN THE PRC) AND ACQUISITION OF ASSETS OF A NANJING STORE AND A MACAU STORE

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Acquisitions is set out on page 17 of this circular. A letter from Yu Ming containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Acquisitions is set out on pages 18 to 24 of this circular.

22 November 2007

CONTENTS

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

"3WH Limited"	3WH Limited, a company owned as to 25% by Mr. Sham Kar Wai (an executive director of the Company), as to 25% by Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) and as to 50% by Mr. Sham Kin Wai (an executive director of the Company)
"Acquisitions"	the GSIT Acquisition and the acquisition of the Stores Assets by the Company contemplated under the Stores Assets Acquisition Agreement
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	board of Directors
"Company"	I.T Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of GSIT Acquisition Agreement and Stores Assets Acquisition Agreement
"Consideration Shares"	such number of new Shares representing 9% of the enlarged share capital of the Company upon completion of the GSIT Acquisition Agreement, excluding Shares issued or to be issued to Directors, consultants and employees upon exercise of the Pre-IPO Share Options and options granted under the Share Option Scheme of the Company after 28 September 2007, the date of GSIT Acquisition Agreement, which shall be equivalent to 102,827,473 Shares based on the current issued share capital of the Company, to be issued by the Company to GS Trading (or its nominee) under the GSIT Acquisition Agreement
"Director(s)"	director(s) of the Company
"Dr. Yeung"	Dr. Yeung Chun Kam, Charles, SBS, J.P., a director and the majority shareholder of Glorious Sun
"Effective Convey Limited"	Effective Convey Limited, an indirect wholly-owned subsidiary of The ABS 2000 Trust which in turn is a discretionary trust established for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai (each being an executive Director) and their respective family members
"Enlarged Group"	the Group as enlarged immediately following completion of the Acquisitions

"General Mandate"	the general mandate to the Directors approved by the Shareholders at the 2007 annual general meeting of the Company held on 23 July 2007 to allot, issue and deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the Share capital of the Company in issue at 23 July 2007
"Glorious Sun"	Glorious Sun Enterprises Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Group"	the Company together with its subsidiaries
"GSIT"	G.S-i.t Limited, a company incorporated in Hong Kong with limited liability and beneficially owned as to 50% by the Company and as to 50% by Glorious Sun
"GSIT Acquisition"	the acquisition by the Company of GS Trading's 50% equity interest in and all shareholder's loan advanced by GS Trading to GSIT contemplated under the GSIT Acquisition Agreement
"GSIT Acquisition Agreement"	the sale and purchase agreement dated 28 September 2007 entered into between the Company, Glorious Sun and GS Trading in relation to the acquisition of GS Trading's 50% equity interest in and all shareholder's loan advanced by GS Trading to GSIT by the Company
"GSIT Group"	GSIT together with its subsidiaries
"GS Trading"	Glorious Sun Trading (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Glorious Sun
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the committee of the Board consisting of all the independent non-executive Directors, namely Mr. Wong Wai Ming, Mr. Francis Goutenmacher and Mr. Wong Tin Yau, Kelvin established to advise the Independent Shareholders in respect of the Acquisitions

"Independent Shareholders"	Shareholders who are not required to abstain from voting if a special general meeting of the Company was convened to approve the Acquisitions as required under the Listing Rules
"Latest Practicable Date"	19 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau Store Assets"	all assets (including but not limited to all leasehold improvements, fixtures, rental deposit, inventories and all benefits of the lease) associated with the store located at 中國澳門特別行政區羅保博士街34號至38號廠商會大廈地下A座舖 (AR/C, EDF., "Chon Ceong Vui", No. 34-38 Rua Do Dr. Pedro Jose Lobo, Macau Special Administrative Region, the PRC)
"Nanjing Store Assets"	all assets (including but not limited to all leasehold improvements, fixtures, rental deposit, inventories and all benefits of the lease) associated with the store located at 中國南京市中山路18號德基廣場 L202, 203 (L202, 203, Deji Plaza, 18 Zhongshan Road, Nanjing, the PRC)
"PRC"	the People's Republic of China (including Macau Special Administrative Region and Taiwan but excluding Hong Kong)
"Pre-IPO Share Options"	options granted on 7 February 2005 by the Company to a Director and certain employees (including a consultant) of the Group to subscribe for shares in the Company, exercisable during the period from 4 September 2005 to 7 February 2008
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	a share option scheme adopted by the Company in February 2005 which will remain in force for 10 years up to February 2015
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Stores Assets"	the Macau Store Assets and the Nanjing Store Assets
"Stores Assets Acquisition Agreement"	the sale and purchase agreement dated 28 September 2007 entered into between the Company and Glorious Sun in relation to the acquisition of the Stores Assets by the Company
"Yu Ming"	Yu Ming Investment Management Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to give recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions

I.T Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

Executive Directors:
Mr. Sham Kar Wai
Dr. Lo Wing Yan, William, *J.P.*
Mr. Sham Kin Wai

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

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
31st Floor
Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

22 November 2007

To the Shareholders and (for information only) option holders:

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS ACQUISITION OF THE REMAINING 50% INTEREST IN G.S-I.T LIMITED (THE JOINT VENTURE IN THE PRC) AND ACQUISITION OF ASSETS OF A NANJING STORE AND A MACAU STORE

INTRODUCTION

The Company announced on 2 October 2007 that on 28 September 2007, it entered into the GSIT Acquisition Agreement with Glorious Sun and GS Trading (a wholly-owned subsidiary of Glorious Sun), pursuant to which the Company shall acquire from GS Trading the remaining 50% interest in GSIT not owned by the Group for a total consideration comprising HK$80 million cash and the Consideration Shares (representing 9% of the enlarged share capital of the Company upon completion, excluding Shares issued or to be issued to Directors, consultants and employees upon exercise of the Pre-IPO Share Options and options granted under the Share Option Scheme of the Company after 28 September 2007, the date of GSIT Acquisition Agreement), and the Stores Assets Acquisition Agreement with Glorious Sun, pursuant to which the Company shall acquire the Stores Assets from Glorious Sun for HK$20 million cash.

The Acquisitions constitute major and connected transactions for the Company under the Listing Rules. The purpose of this circular is to provide you with further details of the Acquisitions, the recommendation from the Independent Board Committee to the Independent Shareholders, the recommendation of Yu Ming to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions and the financial information on the Enlarged Group.

GSIT ACQUISITION AGREEMENT

Pursuant to the GSIT Acquisition Agreement entered into between the Company (as the purchaser), Glorious Sun (as the guarantor) and GS Trading (as the seller) on 28 September 2007, the Company shall acquire from and/or be assigned by GS Trading the remaining 50% equity interest in GSIT not owned by the Group and all the shareholder's loan advanced by GS Trading to GSIT (amounting to a face value of HK$63.5 million or a carrying value of HK$54.0 million as at the date of the GSIT Acquisition Agreement and as at the Latest Practicable Date) on the date of completion.

Consideration

The consideration for the 50% equity interest in GSIT is HK$16.5 million cash and the Consideration Shares (representing 9% of the enlarged share capital of the Company upon completion, excluding Shares issued or to be issued to Directors, consultants and employees upon exercise of the Pre-IPO Share Options and options granted under the Share Option Scheme of the Company after 28 September 2007, the date of GSIT Acquisition Agreement). The consideration for the shareholder's loan is HK$63.5 million cash. As such, the total consideration is HK$80 million cash (which will be financed by the Group's internal resources) and the Consideration Shares. The cash consideration would be payable to and the Consideration Shares would be allotted and issued to GS Trading (or its nominee) upon completion of the GSIT Acquisition Agreement. An application has been made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Company does not intend to issue any new Shares before completion. Based on 1,039,700,000 Shares in issue (excluding Shares allotted upon exercise of options granted under the Share Option Scheme after 28 September 2007, the date of GSIT Acquisition Agreement), the Consideration Shares shall be equal to 102,827,473 Shares, which represent approximately 9.9% of 1,040,460,000 Shares in issue and 9.0% of the enlarged issued share capital of the Company respectively. Based on the closing price of HK$1.78 per Share on 28 September 2007 (being the date of the GSIT Acquisition Agreement), the Consideration Shares are valued at approximately HK$183.0 million and the total consideration is valued at approximately HK$263.0 million. The closing price of HK$1.78 per Share on 28 September 2007 represents:

(i) a discount of 2.8% to the average closing price of HK$1.832 for the 5 trading days ended on 28 September 2007;

(ii) a discount of 4.4% to the average closing price of HK$1.861 for the 10 trading days ended on 28 September 2007;

(iii) a premium of 4.6% to the average closing price of HK$1.7013 for the 30 trading days ended on 28 September 2007;

(iv) a discount of 33.8% to the closing price of HK$2.69 on the Latest Practicable Date; and

(v) a premium of 123.8% to the audited net asset value per Share of HK$0.80 as at 28 February 2007.

The consideration was determined between the parties after arm's length negotiations with reference to the rapid growth in the revenue of the GSIT Group, the improving bottom line of the GSIT Group and the great potential of the PRC market.

Conditions precedent

The GSIT Acquisition Agreement is conditional upon satisfaction of the followings:

(i) approval of the Independent Shareholders if so required under and in full compliance with the Listing Rules;

(ii) approval of the issue of the Consideration Shares by the Bermuda Monetary Authority, if necessary; and

(iii) approval of the listing of and permission to deal in the Consideration Shares by the Stock Exchange.

Completion shall take place on the third business day of all the above conditions precedent being satisfied. The parties shall use their best endeavours to satisfy all the conditions precedent within 42 days from the date of the GSIT Acquisition Agreement.

3WH Limited and Effective Convey Limited, the controlling Shareholders holding an aggregate of 672,075,000 Shares representing 64.6% of the existing issued share capital of the Company, are not interested in the GSIT Acquisition Agreement and are not required to abstain from voting. They have given to the Company their written approval of the GSIT Acquisition Agreement. The Company has applied for and the Stock Exchange has granted a waiver to the Company from strict compliance with Rule 14A.43 of the Listing Rules for accepting the written approval from 3WH Limited and Effective Convey Limited in lieu of holding a general meeting to approve the GSIT Acquisition Agreement. Therefore, no special general meeting of the Company will be convened to approve the GSIT Acquisition Agreement and the Consideration Shares would be allotted and issued to GS Trading (or its nominee) by the General Mandate.

If any of the conditions precedent remain unfulfilled after 120 days from the date of the GSIT Acquisition Agreement, the GSIT Acquisition Agreement shall lapse and the parties shall no longer be obliged to proceed with the GSIT Acquisition or (save for antecedent breach) be responsible for or pay damage to the other parties.

At present, GSIT is treated as a jointly controlled entity of the Group and is accounted for using the equity method of accounting. Following completion of the GSIT Acquisition Agreement, GSIT would become a wholly-owned subsidiary of the Company and would be consolidated into the financial statements of the Group from the date of completion.

Information on GSIT

GSIT was established as a 50:50 joint venture between the Group and GS Trading pursuant to the joint venture agreement dated 30 November 2003. It is principally engaged in the wholesaling and retailing of fashion apparels and related businesses in the PRC, with details as follows:

(i) directly operating stores for sale of products of the Group's inhouse brands, namely http://www.izzue.com, b+ab and 5cm, in the PRC (excluding Taiwan);

(ii) directly operating stores for sale of products of the Group's licensed brands, namely Arnold Palmer and Baby Jane, in the PRC (excluding Taiwan);

(iii) directly operating stores for sale of imported products under the Group's service marks, including I.T, i.t, double park and ETE, in the PRC (excluding Taiwan);

(iv) directly operating stores for sale of products of French Connection brand in the PRC through a 50:50 joint venture between the GSIT Group and French Connection Group plc;

(v) directly operating stores for sale of the above products in Taiwan through a joint venture owned as to 51% by the GSIT Group and as to 49% by a local partner; and

(vi) wholesell the above products to franchisees across the PRC.

As at 31 August 2007, the GSIT Group had 106 self-managed stores (including French Connection stores) and 63 franchised stores (including French Connection stores) in the PRC (excluding Taiwan), and 19 self-managed stores in Taiwan. Of the 106 self-managed stores in the PRC (excluding Taiwan), 45 stores are located in Beijing and 59 are located in Shanghai. So at present, the GSIT Group's self-managed stores are very concentrated in the prime cities of Beijing and Shanghai.

Benefiting from the strong economy of the PRC, the GSIT Group has been enjoying strong revenue growth in the past years. As shown in the accountant's report contained in Appendix II to this circular, consolidated revenue of the GSIT Group has increased by 55.2% from HK$192.3 million for the year ended 31 December 2005 to HK$298.5 million for the year ended 31 December 2006, and has increased by 56.9% from HK$170.9 million for the eight months ended 31 August 2006 to HK$268.0 million for the eight months ended 31 August 2007. Comparable store sales (sales of stores that have been opened for 12 months or more) increased by 38.6% and 36.8% for the year ended 31 December 2006 and for the eight months ended 31 August 2007 respectively.

Loss before taxation for the years ended 31 December 2005 and 2006 were HK$6.5 million and HK$14.1 million, respectively. Loss after taxation for the years ended 31 December 2005 and 2006 were HK$6.4 million and HK$13.1 million, respectively. As at 31 August 2007, it had net assets (including all shareholders' loans) of HK$152 million.

Although the GSIT Group is still losing money, its bottom line has improved significantly given the impressive top line growth as well as leveraging the increase in the economy of scale. Net loss has dropped substantially from HK$14.8 million for the eight months ended 31 August 2006 to HK$5.4 million for the eight months ended 31 August 2007.

Reasons for the GSIT Acquisition

The GSIT joint venture was established at a time when retailing was still very much restricted from foreigners and foreigners could not engage in retailing without a partner enjoying the privilege of a retail license. To gain a foothold in the PRC market, in 2003, the Group decided to partner with Glorious Sun which had both retail licenses and many years of retail experience as well as an extensive distribution network in the PRC.

After the accession to the World Trade Organisation, the PRC is much more open to foreigners and foreigners can now own 100% interest in and run a fashion retail business in the PRC. Hong Kong companies can enjoy even more benefits under the Closer Economic Partnership Arrangement (CEPA). Further, after more than 3 years of operation, GSIT has already built up a robust operating platform, its own capable management team and an extensive business relationship with landlords, manufacturers and logistics service suppliers, etc. After arm's length negotiations with Glorious Sun, Glorious Sun agreed that after the 3 years' incubation, it was an appropriate time for them to exit and enable the Group to consolidate the business both operationally and financially in exchange for a cash consideration as well as a strategic stake (9% of the enlarged share capital) in the Group.

The original investment cost of Glorious Sun in GSIT is HK$93.5 million. As mentioned above, based on the closing price of HK$1.78 per Share on 28 September 2007, the total consideration is valued at approximately HK$263.0 million and the entire GSIT is therefore valued at approximately HK$526.1 million. Such valuation represents 1.33 times the trailing revenue of the GSIT Group of HK$395.7 million for the twelve months ended 31 August 2007. Having considered the comparison of the valuation of GSIT with the other PRC retailer players, and the huge potential of the PRC market, the Board (including the independent non-executive Directors of the Company) is of the view that the GSIT Acquisition is in the interest of the Company, the GSIT Acquisition Agreement was entered into on normal commercial terms and the terms of which are fair and reasonable.

Future plan

The Board considers that the GSIT Acquisition is a very important and strategic move of the Group. It enables the Group to consolidate control of the business in the PRC, one of the fastest growing consumer and retail markets in the world.

Following completion, the Board expects that it would accelerate the Group's expansion pace in the PRC, including opening stores outside the existing core cities of Beijing and Shanghai and mergers and acquisitions of local chains and/or brand operators.

STORES ASSETS ACQUISITION AGREEMENT

Pursuant to the Stores Assets Acquisition Agreement entered into between the Company (as the purchaser) and Glorious Sun (as the seller) on 28 September 2007, the Company shall acquire the 2 franchised stores of GSIT run by a subsidiary of Glorious Sun, one in Nanjing and the other in Macau, by way of acquisition of all the relevant assets (including all leasehold improvements, fixtures, rental deposits and inventories and all benefits to the leases).

Consideration

The aggregate consideration for the Stores Assets is HK$20 million cash (which will be financed by the Group's internal resources) and would be payable to Glorious Sun (or its nominee) upon completion of the Stores Assets Acquisition Agreement. The consideration was determined between the parties after arm's length negotiations with reference to the net book value of the assets and the potential of Nanjing and Macau markets.

Conditions precedent

The Stores Assets Acquisition Agreement is conditional upon satisfaction of the followings:

(i) approval of the Independent Shareholders if so required under and in full compliance with the Listing Rules; and

(ii) completion of the assignment of the Stores Assets in full compliance with the PRC laws.

If the assignment is not completed within 42 days from the date of the Stores Assets Acquisition Agreement, Glorious Sun shall have the right to give a written notice to the Company appointing the Company (or its subsidiary) as its operator to run the 2 franchised stores until expiry of the current lease (the lease for the store in Nanjing will expire on 28 February 2009 and the lease for the store in Macau will expire on 15 August 2010). During this period, the Company (or its subsidiary) shall bear all the benefits, losses and relevant expenses in running the 2 stores, save for any loss arising as a result of breach of laws or contracts by Glorious Sun (or its subsidiary).

As at the Latest Practicable Date, condition (ii) has not been fulfilled and the Company has not been informed by Glorious Sun that they would appoint the Company as the operator. The Company and Glorious Sun are using their endeavour to fulfill this condition by way of assignment of the Stores Assets as soon as possible.

3WH Limited and Effective Convey Limited, the controlling Shareholders holding an aggregate of 672,075,000 Shares representing 64.6% of the existing issued share capital of the Company, are not interested in the Stores Assets Acquisition Agreement and are not required to abstain from voting. They have given to the Company their written approval of the Stores Assets Acquisition Agreement. The Company has applied for and the Stock

Exchange has granted a waiver to the Company from strict compliance with Rule 14A.43 of the Listing Rules for accepting the written approval from 3WH Limited and Effective Convey Limited in lieu of holding a general meeting to approve the Stores Assets Acquisition Agreement. Therefore, no special general meeting of the Company will be convened to approve the Stores Assets Acquisition Agreement.

Completion shall take place on the third business day of all the above conditions precedent being satisfied. If any of the conditions precedent remain unfulfilled after 120 days from the date of the Stores Assets Acquisition Agreement, the Stores Assets Acquisition Agreement shall lapse and the parties shall no longer be obliged to proceed with the sale and purchase of the Stores Assets or (save for antecedent breach) be responsible for or pay damage to the other parties.

Information on the Stores Assets

Glorious Sun (or its subsidiaries) makes purchases from GSIT and sells products of the following brands at the 2 stores as a franchisee of GSIT:

(i) the Group's inhouse brands, namely http://www.izzue.com, b+ab and 5cm;

(ii) a Group's licensed brand, namely Arnold Palmer; and

(iii) French Connection.

The Nanjing store is located at 中國南京市中山路18號德基廣場 L202, 203 (L202, 203, Deji Plaza, 18 Zhongshan Road, Nanjing, the PRC) with a gross area of 562 square metres, and the Macau store is located at 中國澳門特別行政區羅保博士街34號至38號廠商會大廈地下A座舖 (AR/C, EDF., "Chon Ceong Vui", No. 34-38 Rua Do Dr. Pedro Jose Lobo, Macau Special Administrative Region, the PRC) with a gross area of 462 square metres.

As shown in the unaudited profit and loss statements on the identifiable net income stream in relation to the Stores Assets contained in Appendix III to this circular, revenue deriving from the Stores Assets from September 2005 (commencement of business) to 31 December 2005, for the year ended 31 December 2006 and for the eight months ended 31 August 2007 were HK$0.7 million, HK$16.3 million and HK$9.5 million respectively.

As at 31 August 2007, the net book value of the Stores Assets was HK$9.4 million. Under the Stores Assets Acquisition Agreement, Glorious Sun has represented and warranted to the Company that the net book value of the Stores Assets on the date of completion would not be less than HK$9 million. If the net book value of the Stores Assets on the date of completion is less than the amount represented and warranted by Glorious Sun, the Company will publish an announcement and will disclose in its next published annual report and accounts, and the independent non-executive Directors of the Company will provide an opinion in the Company's next published annual report and accounts as to whether Glorious Sun has complied with such representation and warranty.

Reasons for the Acquisition of the Stores Assets

The acquisition of the Stores Assets is in line with the Group's new strategy to expand outside Beijing and Shanghai. Besides, in terms of revenue, they are the top performers among the franchisees of the same brand.

The original investment cost of Glorious Sun in the Stores Assets is HK$14.3 million. Although these two stores are not making money, the Board is of the view that this acquisition will assist the Group to expand into these new markets faster and more effectively. By putting our own management and operating platform onto these two stores, the Group also believes that their performance can be improved relatively quickly. Therefore, the Board (including the independent non-executive Directors of the Company) is of the view that the acquisition of the Stores Assets is in the interest of the Company, the Stores Assets Acquisition Agreement was entered into on normal commercial terms and the terms of which are fair and reasonable.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Following completion of the GSIT Acquisition Agreement, the GSIT Group would become wholly-owned subsidiaries of the Group and would be consolidated into the financial statements of the Group from the date of completion. Following completion of the Stores Assets Acquisition Agreement, the Stores Assets would be wholly-owned by the Group and the Group would consolidate all financial results deriving from such assets from the date of completion.

Earnings

Goodwill arising from the Acquisitions would be finally determined based on the costs of Acquisitions and the fair value of the GSIT Group's identifiable assets and liabilities and the Stores Assets as at the date of completion. Shareholders should therefore note that the amount of goodwill as shown in the unaudited pro forma financial information on the Enlarged Group set out in Appendix IV to this circular are hypothetical figures based on a valuation of approximately HK$283.0 million (which is equal to the summation of HK$100 million cash consideration and HK$183.0 million value (102,827,473 new Shares at HK$1.78 each) for the Consideration Shares for the Acquisitions). In case goodwill arises as a result of the costs of Acquisitions exceeding the fair value of the GSIT Group's identifiable net assets and the Stores Assets as at the date of completion, it would be recognised as an asset and assessed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment losses arising from the assessment will be charged to the consolidated income statement of the Enlarged Group.

If intangible assets are identified to a specific contract, they would be amortised over the remaining term of the contract. Shareholders should note that the amount of intangible assets as shown in the unaudited pro forma financial information on the Enlarged Group set out in Appendix IV to this circular are hypothetical figures. The final amount would be determined as at the date of completion.

As shown in Appendices II and III, the GSIT Group is not profitable and no profit can be derived from the Stores Assets yet. Coupled with the issue of the Consideration Shares, the earnings per Share would be diluted following completion of the Acquisitions. As stated above in the reasonings for the Acquisitions, the Board is confident of the future of the PRC market and that the Acquisitions will improve the profitability of the Group in the future.

Assets and liabilities

Based on the unaudited pro forma financial information on the Enlarged Group set out in Appendix IV to this circular, the unaudited consolidated net assets of the Enlarged Group would be HK$1003.9 million, representing an increase of 22.3% from the Group's unaudited net assets of HK$820.9 million as at 31 August 2007 before completion of the Acquisitions. Based on 1,040,460,000 Shares in issue, and assuming 102,827,473 Consideration Shares to be issued under the GSIT Acquisition Agreement, unaudited consolidated net assets per Share of the Enlarged Group following completion of the Acquisitions would be HK$0.88, representing an increase of 11.4% from the unaudited net assets per Share of the Group of HK$0.79 as at 31 August 2007 before completion of the Acquisitions.

As at 31 August 2007, the Group had HK$3.1 million bank borrowings, and the GSIT Group has HK$20.0 million bank borrowings and shareholders' loan of face value of HK$127 million or carrying value of HK$109.3 million. Therefore, the pro forma borrowings of the Enlarged Group after elimination of shareholders' loan upon completion would be increased from HK$3.1 million to HK$23.1 million as a result of consolidating all borrowings of the GSIT Group. Pro forma cash and bank balances of the Enlarged Group would be decreased from HK$333.6 million to HK$281.9 million, as a result of an outflow of HK$100 million paid for the Acquisitions and the cash and bank balances of HK$48.3 million held by the GSIT Group as at 31 August 2007.

Shareholders should note that the unaudited pro forma financial information on the Enlarged Group set out in Appendix IV to this circular is for illustration purpose only. As the fair value of the identifiable assets and liabilities of the GSIT Group and the Stores Assets at the date of completion and the costs of the Acquisitions may be different from the amounts currently used in the preparation of the unaudited pro forma financial information, the actual financial impact arising from the Acquisitions may be different from the estimated amount in the unaudited pro forma financial information.

SHAREHOLDING

The following sets out the current shareholding and the shareholding following completion of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement:

	Shareholding as at the Latest Practicable Date		Shareholding following completion of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement	
	No. of Shares	*%*	*No. of Shares*	*%*
3WH Limited *(Note 1)*	336,037,500	32.3	336,037,500	29.4
Effective Convey Limited *(Note 2)*	336,037,500	32.3	336,037,500	29.4
Glorious Sun *(Note 3)*	0	0.0	102,827,473	9.0
Public Shareholders	368,385,000	35.4	368,385,000	32.2
Total	1,040,460,000	100.0	1,143,287,473	100.0

Notes:

1. 3WH Limited is owned as to 50% by Mr. Sham Kin Wai (an executive Director of the Company), as to 25% by Mr. Sham Kar Wai (an executive Director of the Company) and as to 25% by Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai).

2. Effective Convey Limited is an indirect wholly-owned subsidiary of The ABS 2000 Trust which was established as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai and their respective family members.

3. It is assumed that 102,827,473 new Shares would be issued to Glorious Sun (or its nominees) under the GSIT Acquisition Agreement based on 1,039,700,000 Shares in issue (excluding Shares allotted upon exercise of options granted under the Share Option Scheme after 28 September 2007, the date of GSIT Acquisition Agreement).

As shown in the above table, the Company does not expect that there would be a change in control of the Company as a result of completion of the Acquisitions.

GENERAL

The Group is principally engaged in the retailing of fashion apparels and accessories and related businesses in inter alia the Greater China.

Glorious Sun is principally engaged in retailing, export and production of causal wear.

Under the Listing Rules, the Acquisitions constitute major transactions of the Company and are subject to Shareholders' approval. As Dr. Yeung was a non-executive Director of the Company within the 12-month period before the entering into of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement and is interested in 50.9% of the share capital of Glorious Sun, Glorious Sun is a connected person of the Company as defined under the Listing Rules. Therefore, the transactions contemplated under the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement also constitute connected transactions of the Company and are subject to approval of the Independent Shareholders.

Glorious Sun has confirmed that they (together with their associates) do not hold any Shares as at the Latest Practicable Date and so no Shareholder is required to abstain from voting. 3WH Limited and Effective Convey Limited, the controlling Shareholders each holding 336,037,500 Shares representing 32.3% of the existing issued share capital of the Company and together holding an aggregate of 672,075,000 Shares representing 64.6% of the existing issued share capital of the Company, are not interested in the Acquisitions (save for being a Shareholder). They have given to the Company their written approval of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement. 3WH Limited is owned as to 50% by Mr. Sham Kin Wai, as to 25% by Mr. Sham Kar Wai and as to 25% by Ms. Yau Shuk Ching, Chingmy. Effective Convey Limited is an indirect wholly-owned subsidiary of The ABS 2000 Trust which was established for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai and their respective family members. Mr. Sham Kar Wai and Mr. Sham Kin Wai are brothers and the executive Directors. Ms. Yau Shuk Ching, Chingmy is the spouse of Mr. Sham Kar Wai.

Given that the controlling Shareholders has approved the Acquisitions, in order to save time and cost to the Company and the Shareholders, the Company has applied for and the Stock Exchange has granted a waiver to the Company from strict compliance with Rule 14A.43 of the Listing Rules for accepting the written approval from 3WH Limited and Effective Convey Limited in lieu of a holding a general meeting to approve the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement. Therefore, no special general meeting of the Company will be convened to approve the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement.

RECOMMENDATION

Your attention is drawn to (a) the "Letter from the Independent Board Committee" as set out on page 17 of this circular, which contains its recommendation to the Independent Shareholders in respect of the Acquisitions; and (b) the "Letter from Yu Ming" as set out on pages 18 to 24 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions. Having taken into account the recommendation and advice from Yu Ming in respect of the Acquisitions, the Independent Board Committee is of the view that the terms of the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Lo Wing Yan, William
Vice Chairman and Managing Director

I.T

I.T Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

22 November 2007

To the Independent Shareholders:

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS
ACQUISITION OF THE REMAINING 50% INTEREST IN G.S-I.T LIMITED
(THE JOINT VENTURE IN THE PRC)
AND
ACQUISITION OF ASSETS OF A NANJING STORE AND A MACAU STORE

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisitions, details of which are set out in the letter from the Board to the circular of the Company dated 22 November 2007 (the "Circular"). Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We wish to draw your attention to the letter from Yu Ming set out on pages 18 to 24 to the Circular containing their advice in respect of the Acquisitions.

Having taken into account of the principal factors taken into account by Yu Ming in arriving at its opinion in respect of the Acquisitions, we concur with the views of Yu Ming that the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement are entered into on normal commercial terms, and terms of which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the resolutions for approving the Acquisitions contemplated under the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement if a special general meeting of the Company was to be convened for approving such agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
I.T Limited
Mr. Wong Wai Ming **Mr. Francis Goutenmacher** **Mr. Wong Tin Yau, Kelvin**

The following is the full text of a letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

22 November 2007

To the Independent Board Committee and the Independent Shareholders:

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS
ACQUISITION OF THE REMAINING 50% INTEREST IN G.S-I.T LIMITED
(THE JOINT VENTURE IN THE PRC)
AND
ACQUISITION OF ASSETS OF A NANJING STORE AND A MACAU STORE

INTRODUCTION

We have been appointed as an independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether (i) the GSIT Acquisition from Glorious Sun and GS Trading (a wholly-owned subsidiary of Glorious Sun) at a consideration comprising HK$80 million cash and the Consideration Shares (representing 9% of the enlarged share capital of the Company upon completion, excluding Shares issued or to be issued to Directors, consultants and employees upon exercise of the Pre-IPO Share Options and options granted under the Share Option Scheme of the Company after 28 September 2007, the date of GSIT Acquisition Agreement), and (ii) acquisition of the Stores Assets at a consideration of HK$20 million cash are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. The details of the GSIT Acquisition Agreement and Stores Assets Acquisition Agreement are set out in the Letter from the Board in the circular to the Shareholders dated 22 November 2007 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information, opinions and representations provided to us by the Directors. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the Directors for which they are solely responsible are, to the best of their knowledge, true and accurate at the time they were made and continue to be so on the date of this letter.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted an independent investigation into the business and affairs of the Group, GSIT and Stores Assets.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Background

The Board announced that on 28 September 2007, the Company entered into the GSIT Acquisition Agreement with Glorious Sun and GS Trading (a wholly-owned subsidiary of Glorious Sun), pursuant to which the Company shall acquire from GS Trading the remaining 50% interest in GSIT not owned by the Group for a total consideration comprising HK$80 million cash and the Consideration Shares (representing 9% of the enlarged share capital of the Company upon completion, excluding Shares issued or to be issued to Directors, consultants and employees upon exercise of the Pre-IPO Share Options and options granted under the Share Option Scheme of the Company after 28 September 2007, the date of GSIT Acquisition Agreement). Based on 1,039,700,000 Shares in issue (excluding Shares allotted upon exercise of options granted under the Share Option Scheme of the Company after 28 September 2007, the date of GSIT Acquisition Agreement), the Consideration Shares shall be equal to 102,827,473 Shares. Based on the closing price of HK$1.78 per Share on 28 September 2007, the Consideration Shares are valued at approximately HK$183.0 million and the total consideration is valued at approximately HK$263.0 million. Following completion of the GSIT Acquisition Agreement, GSIT would become a wholly-owned subsidiary of the Company.

Furthermore, as part of the expansion plan, the Company agreed to acquire the Stores Assets from Glorious Sun for HK$20.0 million cash pursuant to the Stores Assets Acquisition Agreement entered into between the Company and Glorious Sun on 28 September 2007. Following completion, the Group will operate its first store in Nanjing and Macau respectively.

In respect of GSIT Acquisition Agreement and Stores Assets Acquisition Agreement, the following factors are relevant as far as the interests of the Company and the Independent Shareholders are concerned:

A. Whether the Acquisitions make business sense;

B. Apart from cash, the Consideration Shares will be issued at a discount as part of payments for acquiring GSIT and Stores Assets. The level of discount must be considered;

C. The reasonableness of the consideration paid for acquiring GSIT and Stores Assets must be considered; and

D. The financial effects of the Acquisitions contemplated under the GSIT Acquisition Agreement and Stores Assets Acquisition Agreement on the Group.

Reasons for and benefits of GSIT Acquisition and acquisitions of Stores Assets

(i) Consolidating control of the PRC business

The Group is principally engaged in the retailing of fashion apparels and accessories and related businesses in the Greater China. According to the annual report of the Company for the year ended 28 February 2007, substantially all of the Group's sales were generated in Hong Kong. The Group's operations in the PRC are carried out through GSIT.

As discussed with the senior management of the Company, under the right of first refusal clause of the joint venture agreement with Glorious Sun, the Company can manage new brands on their own only after offering GSIT the business opportunities and GSIT indicates no interests. Through the GSIT Acquisition, the Group can consolidate control of the business in the PRC, and the Board can determine the Group's own strategy in the PRC. Therefore, the GSIT Acquisition is a very important and strategic move of the Group.

(ii) Potential of the PRC apparels retailing market

According to National Bureau of Statistics of January 2007, gross domestic product per capita in the PRC increased from approximately US$1,135 in 2002 to US$2,004 in 2006, representing a compounded annual growth rate of approximately 15.3%. During the same period, consumer spending in the PRC, as measured by total retail sales value, has grown at a compounded annual growth rate of 16.1%. For GSIT, the comparable store sales increased by 39% and 37% for the year ended 31 December 2006 and for the eight months ended 31 August 2007 respectively, which outperformed the whole economy of the PRC. Under these circumstances, accelerating the Group's expansion pace in the PRC makes business sense.

As people of the PRC become more affluent, they will pay more attention to more high-end apparel products. This trend is favourable to the growth of the Group. The stores of GSIT are mainly located in Beijing and Shanghai, the prime cities of the PRC.

Meanwhile, the two stores proposed to be acquired under Stores Assets Acquisition Agreement are located in the second-tier cities, Macau and Nanjing. The Group can have foothold in more diversified locations in the PRC through the acquisitions contemplated under the agreements.

Consideration Shares

In assessing the reasonableness of the issue price of the Considerations Shares, we make reference to consideration shares issued and allotted by companies listed on the Stock Exchange to acquire assets within three months from 2 October 2007 (the announcement date of the Acquisitions):

Company name	Stock code	Issue Price *(HK$)*	Premium and Discount of the issue price of consideration shares to the market price of the shares of the issuer prior to the announcement of the relevant transaction: Last trading day	5-day average price	10-day average price
China Renji Medical Group Ltd.	648	0.25	53.4%	50.4%	45.34%
Fintronics Holdings Company Ltd.	706	0.5	20.5%	19.6%	17.0%
SRE Group Ltd.	1207	3.04	10.6%	3.4%	(6.2%)
Sino Union Petroleum & Chemical International Ltd.	346	1.44	6.7%	5.4%	4.6%
Henry Group Holdings Ltd.	859	1.25	0%	(5.87%)	1.3%
I.T Limited	999	1.78	0%	(2.8%)	(4.4%)
Shougang Concord Technology Holdings Ltd.	521	0.764	(23.6%)	(11.2%)	0%
Kiu Hung International Holdings Ltd.	381	0.70	(44.9%)	(48.1%)	(50.7%)
Tak Shun Technology Group Ltd.	1228	0.45	(46.4%)	(41.4%)	(35.3%)
Macro-Link International Holdings Ltd.	472	0.27	(70.0%)	(65.9%)	(66.0%)
Range			(70.0%) to 53.4%	(65.9%) to 50.4%	(66.0%) to 45.34%

Out of the nine companies listed above except the Company, (i) four issued consideration shares at a discount, one at par and four at premium to their closing prices on their corresponding last trading days; (ii) five at a discount, none at par and four at premium to their average closing prices of five consecutive preceding trading days up to and including their corresponding last trading days; (iii) four at a discount, one at par and four at premium to their average closing prices of ten consecutive preceding trading days up to and including their corresponding last trading days.

As the discount at which the issue price of the Consideration Shares is fixed is within the range of those of the comparables above, we are of the opinion that the level of discount of the Consideration Shares is fair and reasonable.

Reasonableness of the Consideration

In assessing the reasonableness of the consideration paid for acquiring the PRC-based GSIT and Stores Assets, we make reference to valuation of the listed companies in Hong Kong (i) that are principally engaged in apparel and/or footwear retailing business and (ii) of which over 50% of sales are generated in the PRC. However, as GSIT and the Stores Assets are still loss-making, we adopt the price-to-sales ratio (defined as market capitalization divided by total sales). This is an indicator widely used by investment banks to assess the reasonableness of acquisitions of loss-making apparel retailers, to which GSIT and the Stores Assets belong. Its rationale is that the higher the sales against the market capitalisation, the cheaper its valuation, as sales is eventually the major driver of net profit.

The market capitalisation were based on the Latest Practicable Date and the sales were based on the latest financial year:

Company Name	**Stock Code**	**Price-to-Sale Ratio**
ANTA Sport Products Ltd	2020	17.8
Belle International Holdings Ltd	1880	13.8
Ports Design Ltd	589	14.2
Li Ning Co. Ltd	2331	7.4
Embry Holdings Ltd	1388	4.1
Prime Success International Group Ltd	210	3.2
Walker Group Holdings Ltd	1386	2.8
I.T Limited	999	1.8
Le Saunda Holdings Ltd	738	1.3
U-RIGHT International Holdings Ltd	627	0.59
Range		0.59 to 17.8
Average		6.7
GSIT	N.A.	1.73 *(note)*
Stores Assets	N.A.	1.21

Note: Assuming that the Consideration Shares are worth HK$183 million, based on the closing price of HK$1.78 per Share on 28 September 2007.

The implied price-to-sales ratios of GSIT and Stores Assets are by far below the average ratio of the comparables above. We are of the view that the consideration paid for acquiring GSIT and Stores Assets is reasonable.

Financial effects on the Group

A. Effect on earnings per share

Audited net loss after taxation of GSIT and unaudited net loss of Stores Assets for the years ended 31 December 2006 were HK$13.1 million and HK$2.8 million respectively, totaling HK$15.9 million, as opposed to the audited net profit after taxation of the Group for the year ended 28 February 2007 of HK$122.4 million. It is worth noting that net loss of GSIT for the eight months ended 31 August 2007 sharply dropped to HK$5.4 million, as compared with HK$14.8 million for the corresponding period ended 31 August 2006. In view of the shrinking net loss of GSIT, relatively insignificant net loss of Stores Assets and relatively much larger net profit base of the Company, we are of the view that the Acquisitions have no material adverse effect on the earnings per share of the Group.

B. Effect on working capital

Approximately HK$100.0 million will be paid in cash under GSIT Acquisition Agreement and Stores Assets Acquisition Agreement. According to the annual report of the Company for the financial year ended 28 February 2007, the working capital (current assets minus current liabilities) and the cash balance were approximately HK$579.2 million and HK$364.8 million respectively. Considering the stable operation cash inflow of approximately HK$118.1 million and HK$91.6 million of the Group for the years ended 28 February 2006 and 2007 respectively and that the pro forma cash balance of the Enlarged Group as at 31 August 2007 would be approximately HK$281.9 million, the acquisitions will not have material adverse effects on the working capital and cash position of the Group. We are of the view that the Group will have sufficient working capital after the transactions are completed.

C. Possible dilution effect on shareholding

In order to show the dilution effect arising from the transactions, the following sets out the current shareholding and the shareholding following completion of GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement:

	Present shareholding		**Shareholding following completion of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement**	
	No. of Shares	*%*	*No. of Shares*	*%*
3WH Limited *(Note 1)*	336,037,500	32.3	336,037,500	29.4
Effective Convey Limited *(Note 2)*	336,037,500	32.3	336,037,500	29.4
Glorious Sun	–	–	102,827,473	9.0
Public Shareholders	368,385,000	35.4	368,385,000	32.2
Total	1,040,460,000	100.0	1,143,287,473	100.0

Notes:

1. 3WH Limited is owned as to 50% by Mr. Sham Kin Wai (an executive Director of the Company), as to 25% by Mr. Sham Kar Wai (an executive Director of the Company) and as to 25% by Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai).

2. Effective Convey Limited is an indirect wholly-owned subsidiary of The ABS 2000 Trust which was established as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai and their respective family members.

In total, the shareholding of the existing Shareholders will be diluted from 100% to 91%. However, given the (i) the proposed issue of the Consideration Shares is one of the terms of the GSIT Acquisition Agreement and Stores Assets Acquisition Agreement, (ii) the potential strategic benefits brought by the Acquisitions and (iii) the shareholding of all Shareholders, including the controlling Shareholders, will be diluted by the same magnitude proportionally to their respective shareholdings upon the issue of the Consideration Shares, we are of the view that such dilution effect is acceptable.

RECOMMENDATION

Having taken into consideration the principal factors and reasons as set out above, on balance, we are of the view that the terms and conditions of the GSIT Acquisition Agreement and Stores Assets Acquisition Agreement and the issuance of Consideration Shares are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote; and the Independent Shareholders to vote in favour of the resolutions, if a special general meeting is to be convened to approve the Acquisitions contemplated under the GSIT Acquisition Agreement and Stores Assets Acquisition Agreement and the issuance of the Consideration Shares as part of the payments.

Yours faithfully,
For and on behalf of
YU MING INVESTMENT MANAGEMENT LIMITED
Warren Lee
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 28 FEBRUARY 2005, 2006 AND 2007 AND FOR EACH OF THE SIX MONTHS ENDED 31 AUGUST 2006 AND 2007

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended 28 February 2005, 2006 and 2007 as extracted from the 2005/06 and 2006/07 annual reports of the Company and the unaudited consolidated financial information of the Group for each of the six months ended 31 August 2006 and 2007 as extracted from the 2007/08 interim report of the Group.

Results

	For the year ended 28 February			For the six months ended 31 August	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,041,017	1,314,443	1,530,763	673,304	807,970
Gross profit	634,471	774,200	890,321	384,396	467,137
Operating profit	145,874	131,374	136,028	37,492	44,113
Profit before income tax	136,621	150,603	148,126	37,305	53,171
Income tax expense	(25,181)	(28,289)	(25,723)	(6,102)	(9,058)
Profit for the year/period, attributable to equity holders of the Company	111,440	122,314	122,403	31,203	44,113

Assets and Liabilities

	As at 28 February			As at 31 August	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	167,693	213,179	255,686	188,648	244,141
Current assets	720,071	669,926	737,451	692,718	772,526
Total assets	887,764	883,105	993,137	881,366	1,016,667
Current liabilities	(236,088)	(123,220)	(158,300)	(143,226)	(192,410)
Non-current liabilities	(52,565)	(12,619)	(8,084)	(7,670)	(3,391)
Total liabilities	(288,653)	(135,839)	(166,384)	(150,896)	(195,801)
Net assets	599,111	747,266	826,753	730,470	820,866

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 28 FEBRUARY 2007

The following is the audited financial statements of the Group for the year ended 28 February 2007 together with the accompanying notes as extracted from the annual report of the Company for the year ended 28 February 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 28 February 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	1,530,763	1,314,443
Cost of sales	7	(640,442)	(540,243)
Gross profit		890,321	774,200
Other losses, net	6	(4,395)	(273)
Operating expenses	7	(749,898)	(642,553)
Operating profit		136,028	131,374
Finance income, net	10	16,010	14,992
Share of (loss)/profit of jointly controlled entities	18	(3,912)	4,237
Profit before income tax		148,126	150,603
Income tax expense	11	(25,723)	(28,289)
Profit for the year, attributable to the equity holders of the Company		122,403	122,314
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share) – basic	13	HK$0.12	HK$0.12
– diluted	13	HK$0.12	HK$0.12
Dividends	14	51,985	49,867

BALANCE SHEETS

As at 28 February 2007

		Consolidated		Company	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Furniture and equipment	*15*	93,191	97,237	–	–
Intangible assets	*16*	14,819	19,169	–	–
Investments in and amounts due from subsidiaries	*17*	–	–	613,081	522,050
Investments in and amounts due from jointly controlled entities	*18*	83,233	51,699	–	–
Rental deposits	*19*	56,352	43,418	–	–
Deferred income tax assets	*27*	5,761	576	–	–
Other assets		2,330	1,080	–	–
		255,686	213,179	613,081	522,050
Current assets					
Inventories	*20*	196,299	148,267	–	–
Trade receivables	*21*	9,252	6,638	–	–
Amount due from a jointly controlled entity	*18*	82,437	44,557	–	–
Prepayments, deposits and other receivables	*22*	82,010	44,833	222	538
Derivative financial instruments	*26*	1,883	–	–	–
Pledged bank deposits	*23 & 31*	750	750	–	–
Cash and cash equivalents	*23*	364,820	424,881	161,268	214,184
		737,451	669,926	161,490	214,722

		Consolidated		Company	
		2007	2006	2007	2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Current liabilities					
Trade and bills payables	24	(66,805)	(48,151)	–	–
Accruals and other payables	25	(71,648)	(62,739)	(33)	(38)
Derivative financial instruments	26	(424)	(2,430)	–	–
Current income tax liabilities		(19,423)	(9,900)	–	–
		(158,300)	(123,220)	(33)	(38)
Net current assets		579,151	546,706	161,457	214,684
Total assets less current liabilities		834,837	759,885	774,538	736,734
Non-current liabilities					
Other payables	25	(7,585)	(10,388)	–	–
Deferred income tax liabilities	27	(499)	(2,231)	–	–
		(8,084)	(12,619)	–	–
Net assets		826,753	747,266	774,538	736,734
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	28	103,950	103,890	103,950	103,890
Reserves	29	722,803	643,376	670,588	632,844
Total equity		826,753	747,266	774,538	736,734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 28 February 2007

		Attributable to equity holders of the Company		
		Share capital	Reserves	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 March 2006		103,890	643,376	747,266
Net income recognised directly in equity				
– cash flow hedges	*29*	–	2,555	2,555
– currency translation differences		–	2,612	2,612
Profit for the year		–	122,403	122,403
Total recognised income for the year		–	127,570	127,570
Proceeds from issue of shares under a share option scheme	*28*	60	–	60
Share option scheme – value of employment services	*29*	–	1,724	1,724
Dividend		–	(49,867)	(49,867)
		60	(48,143)	(48,083)
Balance at 28 February 2007		103,950	722,803	826,753
Balance at 1 March 2005		100,000	485,966	585,966
Net expense recognised directly in equity				
– cash flow hedges	*29*	–	(1,735)	(1,735)
Profit for the year		–	122,314	122,314
Total recognised income for the year		–	120,579	120,579
Proceeds from issue of shares in connection with the Listing	*28 & 29*	3,750	69,375	73,125
Proceeds from issue of shares under a share option scheme	*28*	140	–	140
Share issue costs	*29*	–	(1,836)	(1,836)
Share option schemes – value of employment services	*29*	–	13,904	13,904
Dividend		–	(44,612)	(44,612)
		3,890	36,831	40,721
Balance at 28 February 2006		103,890	643,376	747,266

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 28 February 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	114,709	143,458
Interest paid		(3)	(969)
Income tax paid		(23,281)	(24,400)
Income tax refunded		164	25
Net cash generated from operating activities		91,589	118,114
Cash flows from investing activities			
Purchase of furniture and equipment		(45,039)	(77,134)
Purchase of intangible assets		(1,380)	(10,354)
Proceeds from disposal of furniture and equipment	30(b)	688	–
Decrease/(Increase) in investment in a jointly controlled entity		4,000	(4,000)
Increase in amounts due from jointly controlled entities		(72,880)	(37,473)
Interest received		12,768	14,059
Net cash used in investing activities		(101,843)	(114,902)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		60	73,265
Share issue costs		–	(3,866)
Repayments of long-term bank borrowings		–	(145,000)
Net decrease in trust receipts import bank loans		–	(37,075)
Dividends paid		(49,867)	(44,612)
Decrease in pledged bank deposits		–	17,000
Net cash used in financing activities		(49,807)	(140,288)
Net decrease in cash and cash equivalents		(60,061)	(137,076)
Cash and cash equivalents, beginning of the year		424,881	561,957
Cash and cash equivalents, end of the year	30(c)	364,820	424,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

These consolidated financial statements were approved for issue by the Company's Board of Directors on 25 May 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements comprise the consolidated and Company balance sheets at 28 February 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and the explanatory notes.

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

2.1 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4. 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.

(a) Amendments and interpretations to published standards effective from accounting periods beginning on 1 March 2006 and are relevant to the Group's operations

The following amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 and are relevant to the Group's operations:

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts" (effective for annual periods beginning on or after 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on these consolidated financial statements.

- HK(IFRIC)-Int 4 "Determining Whether an Arrangement Contains a Lease" (effective for annual periods beginning on or after 1 January 2006). It requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (ii) the arrangement conveys a right to use the asset. The adoption of this interpretation does not have a significant impact on these consolidated financial statements.

- HKAS 21 Amendment "Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 January 2006). This amendment permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation, and therefore any relating exchange difference to be treated as equity in the consolidated financial statements. Previously such loans had to be denominated in the functional currency of one of the parties to the transaction. The adoption of this amendment does not have a significant impact on these consolidated financial statements.

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

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HKFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2007), HKAS 1 "Amendments to capital disclosures" (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 March 2007.

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1 January 2009). HKFRS 8 supersedes HKAS 14, "Segment Reporting", which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply HKFRS 8 from 1 March 2009.

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK (IFRIC)-Int 8 from 1 March 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006). Management believes that this interpretation should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9. The Group will apply HK(IFRIC)-Int 9 from 1 March 2007.

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 March 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 11 "HKFRS 2 – Group and Treasury Share Transfer" (effective for annual periods beginning on or after 1 March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1 March 2007 but it is not expected to have any significant impact on the Group's consolidated financial statements.

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

The following interpretation to existing standard has been published that is mandatory for the accounting period beginning on or after 1 January 2008 and is not relevant for the Group's operations:

- HK(IFRIC)-Int 12, "Service Concession Arrangements", (effective for annual accounting periods beginning on or after 1 January 2008). This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

(d) Standards, amendments and interpretations effective from accounting periods beginning on 1 March 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment – Employee Benefits;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKFRS 1 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards;
- HK(IFRIC)-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment; and
- HK(IFRIC)-Int 7 – Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 28 February.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Jointly controlled entities

Jointly controlled entities are entities where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 FURNITURE AND EQUIPMENT

Furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of furniture and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4 years or over the unexpired period of the lease, whichever is shorter
Furniture and equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6 LICENCE RIGHTS

Licence rights (intangible assets) are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured as the fair value of the consideration given to acquire the licence at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the licence rights.

Licence rights are amortised over the licence period on a basis that reflects the pattern in which the licence's future economic benefits are expected to be consumed by the Group.

2.7 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date and in this case they are classified as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method of costing and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of inventories.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a receivable is uncollectible, it is written off against the allowance for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

2.12 TRADE PAYABLES

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

2.13 LICENCE FEES PAYABLE

Licence fees payable in respect of the acquisition of licence rights are initially recognised at fair value of the consideration given to acquire the licence at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

Interest is accrued on licence fees payable and charged to interest expense. Changes in estimates of the expected cash flows are recognised as "other gains/(losses), net" in the income statement. The revised expected cash flows are discounted using the original effective interest rate to arrive at the carrying amount of the liability.

2.14 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group has a defined contribution plan. The Group pays contributions to trustee-administered pension fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based compensation

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.19 REVENUE RECOGNITION

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Retail sales are usually paid in cash or by credit/debit cards. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in operating expenses.

(b) Royalty income

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreements.

(c) Interest income

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

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

2.20 BORROWING COSTS

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

2.21 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains/(losses), net".

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the income statement within "cost of sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of sales in case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other gains/(losses), net".

(ii) Derivatives that do not qualify for hedge accounting

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

2.22 OPERATING LEASES (AS THE LESSEE)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.24 FINANCIAL GUARANTEES

A financial guarantee (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2.25 DIVIDEND DISTRIBUTIONS

Dividend distributions to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Management regularly monitors the financial risks of the Group and uses derivative financial instruments to hedge certain foreign exchange risk exposures. Because of the simplicity of the financial structure and the current operations of the Group, no other hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from the exposure in Japanese Yen, Pound Sterling, Euros and Chinese Renminbi against Hong Kong Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China.

To manage their foreign exchange risk arising from certain future commercial transactions and recognised liabilities, entities in the Group use forward currency exchange contracts, transacted with external financial institutions. Foreign exchange risk arises when future commercial transactions or recognised liabilities are denominated in a currency that is not the entity's functional currency.

The Group's risk management policy is to hedge between 80% and 100% of anticipated transactions (mainly import purchases) in each major currency for the subsequent season. The projected purchases in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

The Group has certain investments in Mainland China, whose net assets are denominated in Chinese Renminbi. Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

(b) Credit risk

The Group has no significant concentrations of credit risk. Retail sales are usually paid in cash or by major credit/debit cards. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

Except for the short-term bank deposits as at 28 February 2007 of HK$216,924,000 held at effective interest rate of 3.9% per annum, the Group has no significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 FAIR VALUE ESTIMATION

The fair values of forward currency contracts are determined using quoted forward exchange rates at the balance sheet date.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of investments in and amounts due from jointly controlled entities, furniture and equipment, and intangible assets

Investments in and amounts due from jointly controlled entities, furniture and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(b) Useful lives and residual values of furniture and equipment

The Group's management determines the estimated useful lives, residual values and consequently related depreciation charges for its furniture and equipment. This estimate is based on the historical experience of the actual useful lives of furniture and equipment of similar nature and functions. It could change significantly as a result of any future management determination of shop relocation or renovation. Management will increase the depreciation charge where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

(c) Net realisable value of inventories

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

(d) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(e) Deferred taxation

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(f) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

5 SEGMENT INFORMATION

(a) Analysis of revenue by category

	2007	**2006**
	HK$'000	*HK$'000*
Sales of fashion wears and accessories	1,525,676	1,310,600
Royalty income	5,087	3,843
	1,530,763	1,314,443

(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 (excluding investments in and amounts due from jointly controlled entities) and liabilities were located in Hong Kong. The Group's operations in Mainland China are carried out through its jointly controlled entities.

6 OTHER LOSSES, NET

	2007	**2006**
	HK$'000	*HK$'000*
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	(60)	(273)
Write-off of prepaid expenses *(i)*	(4,335)	–
	(4,395)	(273)

Note:

(i) During the year ended 28 February 2007, the Group decided to terminate a sub-licence agreement which enabled the Group to operate 'Saks Fifth Avenue' retail stores in Mainland China, and in this connection wrote off related costs of approximately HK$4,335,000.

7 EXPENSES BY NATURE

	2007	**2006**
	HK$'000	*HK$'000*
Cost of inventories sold	636,675	532,802
Write-downs of inventories to net realisable value	1,062	3,177
Employment costs (including directors' emoluments) *(Note 8)*	271,532	231,130
Operating lease rentals of premises		
– minimum lease payments	259,989	223,550
– contingent rents	13,376	13,670
Advertising and promotion costs	19,720	9,853
Depreciation of furniture and equipment	47,068	41,452
Loss on disposal of furniture and equipment	1,329	488
Licence fees		
– amortisation of licence rights	8,828	10,355
– contingent licence fees	3,906	5,387
Auditor's remuneration	1,400	1,160
Net exchange gains	(6,659)	(4,643)
Other expenses	132,114	114,415
Total cost of sales and operating expenses	1,390,340	1,182,796

8 EMPLOYMENT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2007 *HK$'000*	2006 *HK$'000*
Salaries, commission and allowances	256,281	207,758
Bonus	2,160	–
Pension costs – employer's contributions to a defined contribution plan and provision for long service payment	10,957	9,090
Share options granted	1,724	13,904
Welfare and other benefits	410	378
	271,532	231,130

(a) Pension – defined contribution plan

The Group has arranged for its employees to join the Hong Kong Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000 and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

During the year ended 28 February 2007, the amount of the Group's employer contributions to the MPF Scheme was approximately HK$10,708,000 (2006: HK$9,090,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

Name of director	Fees *HK$'000*	Salaries *HK$'000*	Bonus *HK$'000*	Other benefits(i) *HK$'000*	Employer's contributions to pension scheme *HK$'000*	Total *HK$'000*
Executive directors						
Mr. Sham Kar Wai	–	4,355	–	960	12	5,327
Mr. Sham Kin Wai	–	3,081	–	636	12	3,729
Dr. Lo Wing Yan, William *(ii)*	–	2,315	2,160	1,724	10	6,209
Mr. Chan Wai Mo, Alva *(v)*	203	1,260	–	–	12	1,475
Non-executive director						
Dr. Yeung Chun Kam, Charles *(iv)*	96	–	–	–	–	96
Independent non-executive directors						
Mr. Chan Mo Po, Paul	161	–	–	–	–	161
Dr. Lo Wing Yan, William *(ii)*	117	–	–	–	–	117
Mr. Wong Wai Ming	161	–	–	–	–	161
Mr. Francis Goutenmacher *(iii)*	98	–	–	–	–	98
	836	11,011	2,160	3,320	46	17,373

The remuneration of each director of the Company for the year ended 28 February 2006 is set out below:

Name of Director	Fees	Salaries	Other benefits(i)	Employer's contributions to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Sham Kar Wai	–	4,355	960	12	5,327
Mr. Sham Kin Wai	–	3,187	530	12	3,729
Mr. Chan Wai Mo, Alva	67	880	1,465	12	2,424
Non-executive director					
Dr. Yeung Chun Kam, Charles	67	–	–	–	67
Independent non-executive directors					
Mr. Chan Mo Po, Paul	67	–	–	–	67
Dr. Lo Wing Yan, William	67	–	–	–	67
Mr. Wong Wai Ming	67	–	–	–	67
	335	8,422	2,955	36	11,748

No director waived any emoluments during the year ended 28 February 2007 (2006: Nil).

Notes:

(i) Other benefits include housing allowance and the amortisation to the income statement of the fair value of Pre-IPO Share Options and share options under the Share Option Scheme measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) Re-designated from an independent non-executive director to an executive director on 24 May 2006.

(iii) Appointed on 1 August 2006.

(iv) Resigned on 19 October 2006.

(v) Resigned on 30 March 2007.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: two) individual are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries	1,560	1,632
Other benefits *(i)*	–	1,124
Employer's contributions to pension scheme	12	51
	1,572	2,807

Note:

(i) Other benefits include housing allowance and the amortisation to the income statement of the fair value of Pre-IPO Share Options and share options under the Share Option Scheme measured at the respective grant dates, regardless of whether the share options would be exercised or not.

The emoluments of the remaining one (2006: two) individual fell within the following bands:

	2007	2006
Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	1	–
	1	2

(c) During the year ended 28 February 2007, no emolument was paid by the Company to any of the directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

10 FINANCE INCOME, NET

	2007	2006
	HK$'000	*HK$'000*
Interest income from		
– bank deposits	9,800	14,059
– amounts due from jointly controlled entities	4,802	1,353
– others	2,028	1,245
Finance income	16,630	16,657
Interest expense on		
– bank borrowings wholly repayable within five years	(3)	(969)
– licence fees payable	(617)	(696)
Finance costs	(620)	(1,665)
Net finance income	16,010	14,992

11 INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

The amounts of taxation charged to the consolidated income statement represent:

	2007	**2006**
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	32,879	24,917
– Overprovision in prior year	(239)	–
Deferred income tax *(Note 27)*	(6,917)	3,372
	25,723	28,289

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate in Hong Kong, where the Group principally operates in, as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before income tax, excluding share of profit/(loss) of jointly controlled entities	152,038	146,366
Tax calculated at a tax rate of 17.5% (2006: 17.5%)	26,607	25,614
Income not subject to tax	(2,036)	(2,843)
Expenses not deductible for tax purposes	1,391	5,518
Overprovision in prior year	(239)	–
Tax expense	25,723	28,289

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$85,887,000 (2006: HK$55,963,000).

13 EARNINGS PER SHARE

Basic

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

	2007	2006
Profit attributable to equity holders of the Company *(HK$'000)*	122,403	122,314
Weighted average number of ordinary shares in issue *('000)*	1,039,345	1,035,466
Basic earnings per share *(HK$)*	0.12	0.12

Diluted

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

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

	2007	2006
Profit attributable to equity holders of the Company *(HK$'000)*	122,403	122,314
Weighted average number of ordinary shares in issue *('000)*	1,039,345	1,035,466
Adjustments for share options *('000)*	4,842	5,362
Weighted average number of ordinary shares for diluted earnings per share *('000)*	1,044,187	1,040,828
Diluted earnings per share *(HK$)*	0.12	0.12

14 DIVIDENDS

	2007 *HK$'000*	2006 *HK$'000*
Final, proposed, of HK5.0 cents (2006: HK4.8 cents) per ordinary share	51,985	49,867

A dividend in respect of the year ended 28 February 2007 of HK5.0 cents per share, amounting to a total dividend of HK$51,985,000, is to be proposed for approval at the upcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable. Such dividend represents HK$51,975,000 for the 1,039,500,000 shares issued and outstanding as at 28 February 2007 and an additional amount of approximately HK$10,000 for the 200,000 shares issued in April 2007 upon exercise of Pre-IPO Share Options as disclosed in Note 34(b).

15 FURNITURE AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 March 2005			
Cost	132,120	18,816	150,936
Accumulated depreciation	(77,707)	(11,186)	(88,893)
Net book amount	54,413	7,630	62,043
Year ended 28 February 2006			
Opening net book amount	54,413	7,630	62,043
Additions	56,461	20,673	77,134
Disposals	(459)	(29)	(488)
Depreciation	(36,636)	(4,816)	(41,452)
Closing net book amount	73,779	23,458	97,237
At 28 February 2006			
Cost	178,727	38,819	217,546
Accumulated depreciation	(104,948)	(15,361)	(120,309)
Net book amount	73,779	23,458	97,237
Year ended 28 February 2007			
Opening net book amount	73,779	23,458	97,237
Additions	39,675	5,364	45,039
Disposals	(1,619)	(398)	(2,017)
Depreciation	(38,992)	(8,076)	(47,068)
Closing net book amount	72,843	20,348	93,191
At 28 February 2007			
Cost	201,318	42,128	243,446
Accumulated depreciation	(128,475)	(21,780)	(150,255)
Net book amount	72,843	20,348	93,191

Depreciation expense of HK$47,068,000 (2006: HK$41,452,000) has been included in operating expenses.

16 INTANGIBLE ASSETS

Intangible assets represent licence rights on branded products with contractual rights up to December 2009.

	HK$'000
At 1 March 2005	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 28 February 2006	
Opening net book amount	–
Additions	29,524
Amortisation	(10,355)
Closing net book amount	19,169
At 28 February 2006	
Cost	29,524
Accumulated amortisation	(10,355)
Net book amount	19,169
Year ended 28 February 2007	
Opening net book amount	19,169
Additions	4,478
Amortisation	(8,828)
Closing net book amount	14,819
At 28 February 2007	
Cost	34,002
Accumulated amortisation	(19,183)
Net book amount	14,819

Amortisation of licence rights of HK$8,828,000 (2006: HK$10,355,000) has been included in operating expenses.

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2007 *HK$'000*	**2006** *HK$'000*
Unlisted investments, at cost	136,880	136,880
Amounts due from subsidiaries	476,201	385,170
	613,081	522,050

(a) Details of the subsidiaries as at 28 February 2007 are as follows:

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group *(i)*	Principal activities
Amwell Development Limited	Hong Kong	HK$300,000	100%	Holding leases
b+ab (bvi) limited	British Virgin Islands	US$1	100%	Investment holding
b&ab Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Black Chocoolate Limited	Hong Kong	HK$1	100%	Holding leases
Blossom Glory Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Century Team Corporation Limited	Hong Kong	HK$2	100%	Investment holding
Charm Source Limited	Hong Kong	HK$5,000,000	100%	Retail of fashion wears and accessories
Cheerful Joyce Limited	Hong Kong	HK$2	100%	Holding leases
Cheersway Development Limited	Hong Kong	HK$2	100%	Holding leases
Cheerwood Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Double Park Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Elegance Source Limited	Hong Kong	HK$2	100%	Holding leases
Elegant Century Enterprises Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Enwell Limited	Hong Kong	HK$2	100%	Holding leases
Chocoolate Limited (formerly known as "Good Praise Limited")	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
i.t apparels Limited	Hong Kong	HK$500,000	100%	Retail and trading of fashion wears and accessories
I.T. CHINA (B.V.I.) LIMITED	British Virgin Islands	US$1	100%	Investment holding
I.T Licensing Limited	Hong Kong	HK$1	100%	Inactive
I.T Distribution Limited	Hong Kong	HK$2	100%	Trading of fashion wears and accessories

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group *(i)*	Principal activities
I.T (China) Limited (formerly known as "Glamour Profits Limited")	British Virgin Islands	US$1	100%	Investment holding
ithk associates limited	British Virgin Islands	US$1	100%	Investment holding
ithk investments limited	British Virgin Islands	US$1	100%	Investment holding
ithk holdings limited	British Virgin Islands	US$20,000	100%	Investment holding
ithk tm limited	British Virgin Islands	US$1	100%	Holding trademarks
Izzue Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
izzue (bvi) limited	British Virgin Islands	US$1	100%	Investment holding
Jandix Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Janport Limited	Hong Kong	HK$1	100%	Holding leases
Jetchance Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Joyful Fair Limited	Hong Kong	HK$500,000	100%	Investment holding and retail of fashion wears and accessories
Kenchart Investments Limited	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories
King Chart Limited	Hong Kong	HK$10,000	100%	Retail of fashion wears and accessories
Legend Grace International Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Mega Charm Industrial Limited	Hong Kong	HK$1	100%	Holding leases
Promax Concept Limited	Hong Kong	HK$1	100%	Holding leases
Venilla Suite Limited (formerly known as "Rainbow Hope Investment Limited")	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group *(i)*	Principal activities
Regent Cheer Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Sanjose Limited	Hong Kong	HK$2	100%	Investment holding
Sunport Holdings Limited	Hong Kong	HK$2	100%	Investment holding
Top Honour Corporation Limited	Hong Kong	HK$4,000,000	100%	Retail of fashion wears and accessories
Turbo Corporation Limited	Hong Kong	HK$2	100%	Holding leases
White Chocoolate Limited	Hong Kong	HK$1	100%	Inactive

Note:

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

(b) Amounts due from subsidiaries

Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

18 INVESTMENTS IN AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2007	2006
	HK$'000	*HK$'000*
Share of net assets	8,795	14,095
Amounts due from jointly controlled entities	156,875	82,161
	165,670	96,256
Less: current portion of amounts due from jointly controlled entities	(82,437)	(44,557)
	83,233	51,699

(a) Share of net assets of jointly controlled entities

	2007	**2006**
	HK$'000	*HK$'000*
Beginning of the year	14,095	5,858
Share of results of jointly controlled entities		
– (loss)/profit before taxation	(4,740)	3,515
– taxation	828	722
– translation reserve	2,612	–
Capital (reduction)/injection	(4,000)	4,000
End of the year	8,795	14,095

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

	2007	**2006**
	HK$'000	*HK$'000*
Revenues	203,579	140,692
(Loss)/Profit	(3,912)	4,237
Assets	170,712	113,707
Liabilities	(161,917)	(99,612)
Capital commitments	–	–

Details of the principal jointly controlled entities as at 28 February 2007 are as follows:

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$32,000,000	50%	Retail of fashion wears and accessories
G.S-i.t Limited	Hong Kong	HK$2	50%	Investment holding

(b) Amounts due from jointly controlled entities

Amounts due from jointly controlled entities of HK$74,438,000 (2006: HK$37,604,000) are unsecured, non-interest bearing and not repayable within one year. These amounts are carried at amortised costs using the effective interest rate of 3.0% per annum. As at 28 February 2007, the carrying amounts of these amounts due from jointly controlled entities approximate their fair values.

The remaining balance due from a jointly controlled entity of HK$82,437,000 (2006: HK$44,557,000) is unsecured, interest-bearing at 5% per annum and repayable within 7 days.

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

19 RENTAL DEPOSITS

Rental deposits are carried at amortised costs using the effective interest rates ranging from 3.0% per annum to 3.8% per annum. As at 28 February 2007, the carrying amounts of rental deposits approximate their fair values.

20 INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Fashion wears and accessories	194,875	147,398
Consumables	1,424	869
	196,299	148,267

As a result of the changes in product portfolio and the recovery of economic conditions in Hong Kong, the Group has revised its estimates relating to inventory provision policy during the year. If the old inventory provision policy was used for the current year, an additional provision of approximately HK$13,259,000 to write-down inventories to net realisable value would have been made and the net profit for the year ended 28 February 2007 would be reduced by approximately HK$13,259,000.

21 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 2007, all trade receivables were aged between 0 and 90 days (2006: between 0 and 90 days).

The carrying amounts of trade receivables approximate their fair values.

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

	2007	2006
	HK$'000	*HK$'000*
Hong Kong Dollars	8,905	6,212
United States Dollars	343	422
Euros	4	4
	9,252	6,638

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Consolidated		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	57,840	21,429	–	–
Rental and utility deposits	23,520	23,024	–	–
Other receivables	650	380	222	538
	82,010	44,833	222	538

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

23 PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Pledged bank deposits	750	750	–	–
Cash at bank and in hand	147,896	119,238	528	306
Short-term bank deposits	216,924	305,643	160,740	213,878
	365,570	425,631	161,268	214,184

The effective interest rates on cash at bank and in hand and short-term bank deposits were 0.5% per annum (2006: 1.4% per annum) and 3.9% per annum (2006: 3.0% per annum), respectively. The short-term bank deposits have maturities ranging from 2 to 93 days.

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

	Consolidated		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollars	317,360	403,568	161,268	214,184
Euros	22,739	19,250	–	–
Japanese Yen	23,818	1,395	–	–
United States Dollars	1,200	523	–	–
Pound Sterling	453	895	–	–
	365,570	425,631	161,268	214,184

24 TRADE AND BILLS PAYABLES

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

	2007	**2006**
	HK$'000	*HK$'000*
0 to 30 days	53,516	41,543
31 to 60 days	8,662	4,883
61 to 90 days	3,086	529
91 to 180 days	1,240	852
181 to 365 days	256	256
Over 365 days	45	88
	66,805	48,151

The Group's trade and bills payables were denominated in the following currencies:

	2007 *HK$'000*	2006 *HK$'000*
Hong Kong Dollars	36,013	20,652
Euros	12,617	17,289
Japanese Yen	13,842	5,733
United States Dollars	2,794	3,325
Pound Sterling	1,539	1,152
	66,805	48,151

25 ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2007 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Unutilised coupon	1,914	2,040	–	–
Accruals				
– Rental premises	32,363	33,394	–	–
– Employment costs	17,575	10,941	–	–
– Others	10,525	8,963	33	38
Licence fees payable	13,525	15,718	–	–
Other payables	3,331	2,071	–	–
	79,233	73,127	33	38
Less non-current portion:				
Licence fees payable	(7,585)	(10,388)	–	–
	71,648	62,739	33	38

Licence fees payable are recognised based on a discount rate equal to the Group's weighted average borrowing rate at 4.0% per annum at the date of acquisition of such obligation.

Licence fees payable were denominated in the following currencies:

	2007 *HK$'000*	2006 *HK$'000*
Hong Kong Dollars	1,862	3,300
United States Dollars	11,663	12,418
	13,525	15,718

The carrying amounts of payables approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as cash flow hedges. Gains and losses in equity on forward currency contracts as at 28 February 2007 will be released to the income statement at various dates between six months to one year from that date.

As at 28 February 2007, 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$85,439,000 (2006: HK$75,650,000).

27 DEFERRED INCOME TAX

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

	2007	**2006**
	HK$'000	*HK$'000*
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	2,820	124
– Deferred income tax assets to be recovered within 12 months	2,941	452
	5,761	576
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(374)	(2,231)
– Deferred income tax liabilities to be settled within 12 months	(125)	–
	(499)	(2,231)
	5,262	(1,655)

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

	2007	**2006**
	HK$'000	*HK$'000*
Beginning of the year	(1,655)	1,717
Recognised in the consolidated income statement *(Note 11)*	6,917	(3,372)
End of the year	5,262	(1,655)

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

Deferred tax liabilities –

	Accelerated tax depreciation	
	2007	**2006**
	HK$'000	*HK$'000*
Beginning of the year	(2,238)	(1,520)
Recognised in the income statement	505	(718)
End of the year	(1,733)	(2,238)

Deferred tax assets –

	Decelerated tax depreciation		Tax losses		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year	497	2,706	86	531	583	3,237
Recognised in the income statement	2,821	(2,209)	3,591	(445)	6,412	(2,654)
End of the year	3,318	497	3,677	86	6,995	583

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

28 SHARE CAPITAL

Movements were:

	Note	Number of shares	Nominal value
		'000	*HK$'000*
Authorised:			
At 1 March 2005, 28 February 2006 and 28 February 2007			
Ordinary shares of HK$0.1 each		3,000,000	300,000
Issued and fully paid:			
At 1 March 2005		1,000,000	100,000
Issue of shares in connection with the Listing	*(i)*	37,500	3,750
Issue of shares under a share option scheme	*(ii)*	1,400	140
At 28 February 2006		1,038,900	103,890
Issue of shares under a share option scheme	*(iii)*	600	60
At 28 February 2007		1,039,500	103,950

Notes:

(i) On 26 March 2005, the Company issued 37,500,000 ordinary shares of HK$0.1 each at HK$1.95 per share under an over-allotment arrangement in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing"), and raised gross proceeds of HK$73,125,000.

(ii) In September 2005, the Company issued 1,400,000 ordinary shares of HK$0.1 each at HK$0.1 per share upon the exercise of certain Pre-IPO Share Options.

(iii) In November 2006, the Company issued 600,000 ordinary shares of HK$0.1 each at HK$0.1 per share upon the exercise of certain Pre-IPO Share Options.

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.

The fair value of the Pre-IPO Share Options granted on 7 February 2005 determined using the Binomial Option Pricing Model, was approximately HK$1.71 per share option, totalling approximately HK$12,338,000. The significant inputs into the Binomial Option Pricing Model were as follows:

Share price at the grant date	HK$1.95
Exercise price per share	HK$0.10
Standard deviation of expected share price returns	33.00%
Expected life of options	3 years
Expected dividend paid out rate	2.50%
Annual risk free rate	2.15%

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

	2007		2006	
	Exercise price per share	**Options**	**Exercise price per share**	**Options**
	HK$	*'000*	*HK$*	*'000*
Beginning of the year	0.1	5,800	0.1	7,200
Exercised	0.1	(600)	0.1	(1,400)
End of the year	0.1	5,200	0.1	5,800

(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.

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

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

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

	2007		**2006**	
	Exercise price per share	**Options**	**Exercise price per share**	**Options**
	HK$	*'000*	*HK$*	*'000*
Beginning of the year	2.35	14,950	–	–
Granted	1.56	6,000	2.35	15,750
Forfeited	2.35	(800)	2.35	(800)
End of the year	2.11	20,150	2.35	14,950

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

Expiry date	Exercise price per share HK$	Share options 2007 '000	Share options 2006 '000
7 February 2008	0.1	5,200	5,800
27 April 2008	2.35	14,150	14,950
15 February 2010	1.56	6,000	–
		25,350	20,750

29 RESERVES

(a) Group

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Hedging reserve HK$'000	Translation HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2006	423,661	12,798	32,337	(1,735)	–	176,315	643,376
Profit for the year	–	–	–	–	–	122,403	122,403
Cash flow hedge							
– fair value gains	–	–	–	3,194	–	–	3,194
– transfers to income statement	–	–	–	60	–	–	60
– transfers to inventories	–	–	–	(699)	–	–	(699)
Share option scheme							
– value of employment services	–	1,724	–	–	–	–	1,724
Exercise of share options	1,028	(1,028)	–	–	–	–	–
Forfeiture of share options	–	(145)	–	–	–	145	–
Currency translation differences							
– jointly controlled entities	–	–	–	–	2,612	–	2,612
Dividend	–	–	–	–	–	(49,867)	(49,867)
Balance at 28 February 2007	424,689	13,349	32,337	820	2,612	248,996	722,803
Representing –							
2007 Final dividend proposed						51,985	
Others						197,011	
						248,996	
Analysed by –							
Company and subsidiaries	424,689	13,349	32,337	820	–	258,813	730,008
Jointly controlled entities	–	–	–	–	2,612	(9,817)	(7,205)
Balance at 28 February 2007	424,689	13,349	32,337	820	2,612	248,996	722,803

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2005	353,723	1,293	32,337	–	98,613	485,966
Profit for the year	–	–	–	–	122,314	122,314
Cash flow hedge						
– fair value losses	–	–	–	(2,430)	–	(2,430)
– transfers to income statement	–	–	–	273	–	273
– transfers to inventories	–	–	–	422	–	422
Issue of shares in connection with the Listing *(Note 28)*	69,375	–	–	–	–	69,375
Share issue costs	(1,836)	–	–	–	–	(1,836)
Share option schemes						
– value of employment services	–	13,904	–	–	–	13,904
Exercise of share options	2,399	(2,399)	–	–	–	–
Dividend	–	–	–	–	(44,612)	(44,612)
Balance at 28 February 2006	423,661	12,798	32,337	(1,735)	176,315	643,376
Representing –						
2006 Final dividend proposed					49,867	
Others					126,448	
					176,315	
Analysed by –						
Company and subsidiaries	423,661	12,798	32,337	(1,735)	182,220	649,281
Jointly controlled entities	–	–	–	–	(5,905)	(5,905)
Balance at 28 February 2006	423,661	12,798	32,337	(1,735)	176,315	643,376

(b) Company

	Share premium	Share-based payment reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 March 2006	423,661	12,798	136,680	59,705	632,844
Profit for the year	–	–	–	85,887	85,887
Share option scheme					
– value of employment services	–	1,724	–	–	1,724
Exercise of share options	1,028	(1,028)	–	–	–
Forfeiture of share options	–	(145)	–	145	–
Dividend	–	–	–	(49,867)	(49,867)
Balance at 28 February 2007	424,689	13,349	136,680	95,870	670,588
Representing –					
2007 Final dividend proposed				51,985	
Others				43,885	
				95,870	
Balance at 1 March 2005	353,723	1,293	136,680	48,354	540,050
Profit for the year	–	–	–	55,963	55,963
Issue of shares in connection with					
the Listing *(Note 28)*	69,375	–	–	–	69,375
Share issue costs	(1,836)	–	–	–	(1,836)
Share option schemes					
– value of employment services	–	13,904	–	–	13,904
Exercise of share options	2,399	(2,399)	–	–	–
Dividend	–	–	–	(44,612)	(44,612)
Balance at 28 February 2006	423,661	12,798	136,680	59,705	632,844
Representing –					
2006 Final dividend proposed				49,867	
Others				9,838	
				59,705	

30 CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2007	2006
	HK$'000	*HK$'000*
Profit for the year	122,403	122,314
Adjustments for:		
– Income tax expense	25,723	28,289
– Interest expense	620	1,665
– Interest income	(16,630)	(16,657)
– Share of loss/(profit) of jointly controlled entities	3,912	(4,237)
– Depreciation of furniture and equipment	47,068	41,452
– Amortisation of intangible assets	8,828	10,355
– Fair value loss on derivative financial instruments	60	273
– Loss on disposal of furniture and equipment	1,329	488
– Share option costs	1,724	13,904
	195,037	197,846
Changes in working capital:		
– Increase in rental deposits	(10,906)	(1,503)
– Increase in other assets	(1,250)	(1,080)
– Increase in inventories	(48,731)	(45,782)
– (Increase)/Decrease in trade receivables	(2,614)	3,202
– Increase in prepayments, deposits and other receivables	(37,177)	(16,398)
– Increase in trade and bills payables	18,654	7,278
– Increase/(Decrease) in accruals and other payables	1,696	(105)
Cash generated from operations	114,709	143,458

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

	2007	2006
	HK$'000	*HK$'000*
Net book value *(Note 15)*	2,017	488
Loss on disposal of furniture and equipment	(1,329)	(488)
Proceeds from disposal of furniture and equipment	688	–

(c) Analysis of cash and cash equivalents:

	2007	2006
	HK$'000	*HK$'000*
Cash and bank deposits	364,820	424,881

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2007, the Group had aggregate banking facilities of approximately HK$339,500,000 (2006: HK$312,500,000) for overdrafts, bank loans and trade financing, of which approximately HK$254,424,000 (2006: HK$235,063,000) was unutilised as at the same date. These facilities are secured by:

(i) the Group's bank deposits of HK$750,000 (2006: HK$750,000); and

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

In addition, the Group has agreed with certain banks to comply with certain restrictive financial covenants.

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) 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:

	2007	**2006**
	HK$'000	*HK$'000*
Not later than one year	273,062	220,077
Later than one year and not later than five years	374,197	265,482
Later than five years	–	4,637
	647,259	490,196

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.

(b) Contingent liabilities

	2007	**2006**
	HK$'000	*HK$'000*
Letters of guarantee issued by banks in lieu of rental deposits	19,550	16,660

The Company's Directors and the Group's management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

33 RELATED PARTY TRANSACTIONS

As at 28 February 2007, the Group was controlled by the 'Sham' family via:

(i) Effective Convey Limited (incorporated in the British Virgin Islands), which owns 32.33% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai; and

(ii) 3WH Limited (incorporated in Hong Kong), which owns 32.33% 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

	2007	**2006**
	HK\$'000	*HK\$'000*
Sales of fashion wears and accessories to a jointly controlled entity *(i)*	74,178	47,970
Royalty income earned from a jointly controlled entity	5,087	3,843
Commission income earned from a jointly controlled entity	264	83
Reimbursement of operating expenses by jointly controlled entities	5,868	4,563
Interest income from amounts due from jointly controlled entities	4,802	1,353

Note:

(i) Sales of fashion wears and accessories to a jointly controlled entity was made at cost.

(b) Key management compensation

	2007	**2006**
	HK\$'000	*HK\$'000*
Directors' fees	203	67
Salaries and allowances	24,952	19,718
Bonuses	2,160	–
Pension costs – employer's contributions to a defined contribution plan	432	348
Share options granted	1,724	5,426
	29,471	25,559

34 SIGNIFICANT SUBSEQUENT EVENTS

(a) In March 2007, the Group applied an amount due from G.S-i.t Limited ("GSIT"), a jointly controlled entity, of HK\$29,999,999 to pay up additional shares issued by GSIT. As a result, the Group has maintained its 50% equity interest in GSIT.

(b) In April 2007, 200,000 Pre-IPO Share Options were exercised at HK\$0.1 per share. In this connection, the Company issued 200,000 ordinary shares of HK\$0.1 each and raised gross proceeds of HK\$20,000.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 31 AUGUST 2007

The following is the unaudited financial statements of the Group for the six months ended 31 August 2007 together with the accompanying notes as extracted from the interim report of the Group for the six months ended 31 August 2007.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2007

		Six months ended 31 August	
		2007	**2006**
		(Unaudited)	(Unaudited)
	Note	*HK$'000*	*HK$'000*
Revenue	*4*	807,970	673,304
Cost of sales	*6*	(340,833)	(288,908)
Gross profit		467,137	384,396
Other gains, net	*5*	1,369	933
Operating expenses	*6*	(424,393)	(347,837)
Operating profit		44,113	37,492
Finance income, net	*7*	9,983	8,102
Share of loss of jointly controlled entities		(925)	(8,289)
Profit before income tax		53,171	37,305
Income tax expense	*8*	(9,058)	(6,102)
Profit for the period, attributable to the equity holders of the Company		44,113	31,203
Dividend	*9*	21,834	–
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
– basic	*10*	0.042	0.030
– diluted	*10*	0.042	0.030

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2007

	Note	As at 31 August 2007 (Unaudited) HK$'000	As at 28 February 2007 (Audited) HK$'000
ASSETS			
Non-current assets			
Furniture and equipment	11	94,399	93,191
Intangible assets	11	11,143	14,819
Investments in and amounts due from jointly controlled entities	12	81,799	83,233
Rental deposits		42,137	56,352
Deferred income tax assets		10,333	5,761
Other assets		4,330	2,330
		244,141	255,686
Current assets			
Inventories		226,770	196,299
Trade receivables	13	9,833	9,252
Amount due from a jointly controlled entity	12	96,594	82,437
Prepayments, deposits and other receivables	14	103,598	82,010
Derivative financial instruments	15	1,355	1,883
Pledged bank deposits		750	750
Cash and cash equivalents		333,626	364,820
		772,526	737,451
LIABILITIES			
Current liabilities			
Trade and bills payables	16	(86,941)	(66,805)
Accruals and other payables	17	(74,423)	(71,648)
Borrowings	18	(3,102)	–
Derivative financial instruments	15	–	(424)
Current income tax liabilities		(27,944)	(19,423)
		(192,410)	(158,300)
Net current assets		580,116	579,151
Total assets less current liabilities		824,257	834,837
Non-current liabilities			
Other payables	17	(3,063)	(7,585)
Deferred income tax liabilities		(328)	(499)
		(3,391)	(8,084)
Net assets		820,866	826,753
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	103,970	103,950
Reserves	20	716,896	722,803
Total equity		820,866	826,753

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 August 2007

	Attributable to equity holders of the Company		
	Share capital	**Reserves**	**Total**
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 March 2007	103,950	722,803	826,753
Net income recognised directly in equity			
– cash flow hedges	–	(820)	(820)
– currency translation differences	–	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	103,970	716,896	820,866
Balance at 1 March 2006	103,890	643,376	747,266
Net income recognised directly in equity			
– cash flow hedges	–	1,868	1,868
Profit for the period	–	31,203	31,203
Total recognised income for the six months ended 31 August 2006	–	33,071	33,071
Dividend relating to year ended 28 February 2006	–	(49,867)	(49,867)
Balance at 31 August 2006	103,890	626,580	730,470

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
For the six months ended 31 August 2007

	Six months ended 31 August 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Net cash generated from operating activities	19,947	33,186
Net cash used in investing activities	(2,620)	(87,191)
Net cash used in financing activities	(48,521)	(48,956)
Net decrease in cash and cash equivalents	(31,194)	(102,961)
Cash and cash equivalents, at 1 March	364,820	424,881
Cash and cash equivalents, at 31 August	333,626	321,920
Analysis of cash and cash equivalents:		
Cash and bank deposits	333,626	321,920

NOTES TO THE 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 has its listing 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 the Company's Board of Directors on 29 October 2007.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 31 August 2007 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 (the "HKICPA").

This interim condensed financial report should be read in conjunction with the Group's annual financial statements for the year ended 28 February 2007.

3 ACCOUNTING POLICIES

The accounting policies are consistent with those as described in the Group's annual financial statements for the year ended 28 February 2007, except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are effective from accounting periods beginning on or after 1 March 2007 and relevant to its operations.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transfer

The adoption of the above new standard, amendment and interpretations has no material impact on the condensed consolidated interim financial information of the Group.

The following new standards and interpretations have been issued by the HKICPA but are not effective for financial year ending 29 February 2008 and have not been early adopted:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 23 (Revised)	Borrowing Costs

4 SEGMENT INFORMATION

(a) Analysis of revenue by category

	Six months ended 31 August 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Sales of fashion wears and accessories	804,504	671,386
Royalty income *(Note 23)*	3,466	1,918
	807,970	673,304

(b) Segment information

No segment analysis for business segment is presented as the Group principally operated 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 (excluding investments in and amounts due from jointly controlled entities) and liabilities were located in Hong Kong. The Group's operations in Mainland China are mainly carried out through its jointly controlled entities.

5 OTHER GAINS, NET

	Six months ended 31 August 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	1,369	933

6 EXPENSES BY NATURE

	Six months ended 31 August 2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*
Cost of inventories sold	337,740	292,675
Write-downs of inventories to net realisable value	5,859	1
Employment costs (including directors' emoluments)	154,222	124,096
Operating lease rentals of premises		
– minimum lease payments	150,597	122,815
– contingent rents	5,166	4,511
Advertising and promotion costs	10,222	9,139
Depreciation of furniture and equipment	26,502	23,171
Licence fees		
– amortisation of licence rights	3,917	4,864
– contingent licence fees	2,064	1,842
Net exchange gains	(2,766)	(3,768)
Loss/(gain) on disposal of furniture and equipment	1,873	(119)
Other expenses	69,830	57,518
Total cost of sales and operating expenses	765,226	636,745

7 FINANCE INCOME, NET

	Six months ended 31 August 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Interest income from		
– bank deposits	5,032	5,488
– amounts due from jointly controlled entities	2,241	1,299
– others	2,788	1,642
Finance income	10,061	8,429
Interest expense on		
– bank borrowings wholly repayable within five years	(8)	(1)
– licence fees payable	(70)	(326)
Finance costs	(78)	(327)
Net finance income	9,983	8,102

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 profits tax has been provided at the rate of 17.5% (six months ended 31 August 2006: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong for the period.

The amounts of taxation charged to the condensed consolidated interim income statement represent:

	Six months ended 31 August 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Current income tax – Hong Kong profits tax	13,801	9,654
Deferred income tax	(4,743)	(3,552)
	9,058	6,102

9 DIVIDEND

	Six months ended 31 August 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Interim, declared, of HK$0.021 (six months ended 31 August 2006: Nil) per ordinary share	21,834	–

At the board meeting held on 29 October 2007, the directors declared interim dividend of HK$0.021 per share. These dividends have not been recognised as a liability at the balance sheet date.

10 EARNINGS PER SHARE

Basic

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

	Six months ended 31 August	
	2007	**2006**
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	44,113	31,203
Weighted average number of ordinary shares in issue *('000)*	1,039,641	1,038,900
Basic earnings per share *(HK$ per share)*	0.042	0.030

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	
	2007	**2006**
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	44,113	31,203
Weighted average number of ordinary shares in issue *('000)*	1,039,641	1,038,900
Adjustments for share options *('000)*	3,291	5,403
Weighted average number of ordinary shares for diluted earnings per share *('000)*	1,042,932	1,044,303
Diluted earnings per share *(HK$ per share)*	0.042	0.030

11 CAPITAL EXPENDITURE

	Furniture and equipment (Unaudited) *HK$'000*	Intangible Assets (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 31 August 2007			
Opening net book amount as at 1 March 2007	93,191	14,819	108,010
Additions	29,583	241	29,824
Disposals	(1,873)	–	(1,873)
Depreciation and amortisation	(26,502)	(3,917)	(30,419)
Closing net book amount as at 31 August 2007	94,399	11,143	105,542
Six months ended 31 August 2006			
Opening net book amount as at 1 March 2006	97,237	19,169	116,406
Additions	17,994	–	17,994
Disposals	(550)	–	(550)
Depreciation and amortisation	(23,171)	(4,864)	(28,035)
Closing net book amount as at 31 August 2006	91,510	14,305	105,815

12 INVESTMENTS IN AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	As at 31 August 2007 (Unaudited) *HK$'000*	As at 28 February 2007 (Audited) *HK$'000*
Share of net assets	36,141	8,795
Amounts due from jointly controlled entities	142,252	156,875
	178,393	165,670
Less: current portion of amounts due from jointly controlled entities	(96,594)	(82,437)
	81,799	83,233

Amounts due from jointly controlled entities of approximately HK$45,658,000 (28 February 2007: HK$74,438,000) are unsecured, non-interest bearing and not repayable within one year. These amounts due from jointly controlled entities are carried at amortised costs using the effective interest rate of 3.0% per annum (28 February 2007: 3% per annum). As at 31 August 2007, the carrying amounts of these amounts due from jointly controlled entities approximate their fair values.

The remaining balance due from a jointly controlled entity of approximately HK$96,594,000 (28 February 2007: HK$82,437,000) is unsecured, interest-bearing at 5% per annum (28 February 2007: 5% per annum) and repayable within 7 days.

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.

Details of the principal jointly controlled entities as at 31 August 2007 are as follows:

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$26,000,000	50%	Retail of fashion wears and accessories
G.S – i.t Limited	Hong Kong	HK$60,000,000	50%	Investment holding

In September 2007, Support Holdings Limited, the wholly-owned subsidiary of the Group proposed to acquire the remaining 50% interest in G.S-i.t Limited from Glorious Sun Trading (HK) Limited, the other shareholder of G.S-i.t Limited (Note 24).

13 TRADE RECEIVABLES

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 generally ranging from 30 to 60 days. As at 31 August 2007, all trade receivables were aged between 0 and 90 days (28 February 2007: between 0 and 90 days).

The carrying amounts of trade receivables approximate their fair values.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 August 2007 (Unaudited) *HK$'000*	**As at 28 February 2007** (Audited) *HK$'000*
Prepayments	46,125	57,840
Rental and utility deposits	51,947	23,520
Other receivables	5,526	650
	103,598	82,010

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as cash flow hedges. Gains and losses in equity on forward currency contracts as at 31 August 2007 will be released to the income statement at various dates between six months and one year from that date.

As at 31 August 2007, 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$83,183,000 (28 February 2007: HK$85,439,000).

As at 31 August 2007, the notional amount of the 1 year foreign exchange contract to buy Euros against USD is approximately HK$15,227,000.

16 TRADE AND BILLS PAYABLES

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

	As at 31 August 2007 (Unaudited) *HK$'000*	As at 28 February 2007 (Audited) *HK$'000*
0 to 30 days	79,532	53,516
31 to 60 days	4,522	8,662
61 to 90 days	1,296	3,086
91 to 180 days	598	1,240
181 to 365 days	986	256
Over 365 days	7	45
	86,941	66,805

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

17 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2007 (Unaudited) *HK$'000*	As at 28 February 2007 (Audited) *HK$'000*
Unutilised coupon	2,198	1,914
Accruals		
– Rental premises	32,671	32,363
– Employment costs	14,462	17,575
– Others	12,730	10,525
Licence fees payable	10,357	13,525
Other payables	5,068	3,331
	77,486	79,233
Less: non-current portion of licence fees payable	(3,063)	(7,585)
	74,423	71,648

Licence fees payable are recognised based on a discount rate equal to the Group's weighted average borrowing rate of 4% per annum (28 February 2007: 4% per annum) at the date of inception of such obligation.

The carrying amounts of payables approximate their fair values.

18 BORROWINGS

	As at 31 August 2007 (Unaudited) *HK$'000*	As at 28 February 2007 (Audited) *HK$'000*
Current	3,102	–

Movement in bank borrowings is analysed as follows:

	(Unaudited) *HK$'000*
At 1 March 2007	
Proceeds from borrowings	3,102
At 31 August 2007	3,102

Bank borrowings are repayable by February 2008 and bear interest of 6.6% per annum (28 February 2007: Nil).

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 6.6% (28 February 2007: Nil).

Interest expense on borrowings for the six months ended 31 August 2007 is approximately HK$6,000 (six months ended 31 August 2006: Nil).

19 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 shares (28 February 2007: 3,000,000,000 shares) with a par value of HK$0.1 per share (28 February 2007: HK$0.1 per share).

	Number of ordinary shares *'000*	**Nominal value** *HK$'000*
Issued and fully paid:		
At 1 March 2006 (Audited) and 31 August 2006 (Unaudited)	1,038,900	103,890
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)	1,039,700	103,970

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.

The fair value of the Pre-IPO Share Options granted on 7 February 2005 determined using Binomial Option Pricing Model, was approximately HK$1.71 per share option, totalling approximately HK$12,338,000. The significant inputs into Binomial Option Pricing Model were as follows:

Share price at the grant date	HK$1.95
Exercise price per share	HK$0.10
Standard derivation of expected share price returns	33.00%
Expected life of options	3 years
Expected dividend paid out rate	2.50%
Annual risk free rate	2.15%

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

	Six months ended 31 August			
	2007		2006	
	Exercise price per share	**Options**	**Exercise price per share**	**Options**
	HK$	*'000*	*HK$*	*'000*
At beginning of period	0.1	5,200	0.1	5,800
Exercised	0.1	(200)	0.1	–
At end of period		5,000	0.1	5,800

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

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

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

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

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

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

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

	Six months ended 31 August			
	2007		**2006**	
	Exercise price per share	**Options**	**Exercise price per share**	**Options**
	HK$	*'000*	*HK$*	*'000*
Beginning of the period	2.11	20,150	2.35	14,950
Granted	1.47	4,000	–	–
Forfeited	2.35	(3,550)	2.35	(600)
End of the period	1.94	20,600	2.35	14,350

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

		Share options	
Expiry date	**Exercise price per share**	**As at 31 August 2007**	**As at 31 August 2006**
	HK$	*'000*	*'000*
7 February 2008	0.1	5,000	5,800
27 April 2008	2.35	10,600	14,350
15 February 2010	1.56	6,000	–
30 May 2010	1.47	4,000	–
		25,600	20,150

20 RESERVES

	Share premium (Unaudited) *HK$'000*	Share-based compensation reserve (Unaudited) *HK$'000*	Capital reserve (Unaudited) *HK$'000*	Hedging reserve (Unaudited) *HK$'000*	Translation (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
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 difference							
– jointly controlled entities	–	–	–	–	1,402	–	1,402
Dividend relating to year ended 28 February 2007	–	–	–	–	–	(51,985)	(51,985)
Balance at 31 August 2007	425,031	13,745	32,337	–	4,014	241,769	716,896
Balance at 1 March 2006	423,661	12,798	32,337	(1,735)	–	176,315	643,376
Cash flow hedge							
– fair value gains	–	–	–	2,801	–	–	2,801
– transfers to income statement	–	–	–	(933)	–	–	(933)
Profit for the period	–	–	–	–	–	31,203	31,203
Dividend relating to year ended 28 February 2006	–	–	–	–	–	(49,867)	(49,867)
Balance at 31 August 2006	423,661	12,798	32,337	133	–	157,651	626,580

21 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2007, the Group had aggregate banking facilities of approximately HK$344,711,000 (28 February 2007: HK$339,500,000) for overdrafts, bank loans and trade financing, of which approximately HK$243,396,000 (28 February 2007: HK$254,424,000) was unutilised as at the same date. These facilities are secured by:

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

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

In addition, the Group has agreed with certain banks to comply with certain restrictive financial covenants.

22 COMMITMENTS AND CONTINGENT LIABILITIES

(a) 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 2007 (Unaudited) *HK$'000*	**As at 28 February 2007** (Audited) *HK$'000*
Not later than one year	323,667	273,062
Later than one year and not later than five years	410,748	374,197
	734,415	647,259

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

(b) Contingent liabilities

	As at 31 August 2007 (Unaudited) *HK$'000*	**As at 28 February 2007** (Audited) *HK$'000*
Letters of guarantee issued by banks in lieu of rental deposits	17,608	19,550

The Company's Directors and the Group's management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

23 RELATED PARTY TRANSACTIONS

As at 31 August 2007, the Group was controlled by the Sham's family via:

(i) Effective Convey Limited (incorporated in the British Virgin Islands), which owns 32.32% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai; and

(ii) 3WH Limited (incorporated in Hong Kong), which owns 32.32% 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	
	2007	**2006**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of fashion wears and accessories to a jointly controlled entity *(i)*	43,748	37,184
Royalty income earned from a jointly controlled entity	3,466	1,918
Commission income earned from a jointly controlled entities	77	–
Reimbursement of operating expenses by jointly controlled entities	2,985	2,765
Interest income from amounts due from jointly controlled entities	2,241	1,299

Note:

(i) Sales of fashion wears and accessories to a jointly controlled entity was made at cost.

(b) Key management compensation

	Six months ended 31 August	
	2007	**2006**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' fees	268	143
Salaries and allowances	14,575	11,802
Pension costs – employer's contributions to a defined contribution plan	246	214
Share options granted	1,383	–
	16,472	12,159

24 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to period end, the Group proposed to acquire the remaining 50% interest in G.S-i.t Limited from Glorious Sun Enterprises Limited ("Glorious Sun") not already owned by the Group and Glorious Sun Trading (HK) Limited ("GS Trading"), a company wholly owned by Glorious Sun for a cash consideration of HK$80 million and ordinary shares of 102,827,473 at market price of HK$1.78 per share amounting to approximately HK$183 million under GSIT Acquisition Agreement. The Group also proposed to acquire assets of a Nanjing Store and a Macau Store from Glorious Sun for HK$20 million cash pursuant to the Stores Assets Acquisition Agreement entered into between the Group and Glorious Sun on 28 September 2007. These transactions have not been completed at the date of this report.

4. INDEBTEDNESS

I. Borrowings

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding borrowings of approximately HK$87,425,000, which comprised secured short term bank loans of approximately HK$33,434,000 and loans from GS Trading of approximately HK$53,992,000 in book value. All bank borrowings are repayable within one year and the loans from GS Trading are repayable in 2016. Upon completion of the GSIT Acquisition, the loans from GS Trading, of the face value of approximately HK$63,500,000 (or the book value of approximately HK$53,992,000), would be transferred to the Company pursuant to the GSIT Acquisition Agreement.

II. Security

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group's borrowings were secured by:

(i) bank deposits of HK$750,000;

(ii) the current assets of New Concepts Corporation Limited (a wholly-owned subsidiary of GSIT) amounted to approximately HK$126,691,000;

(iii) the current assets of GSIT amounted to approximately HK$7,016,000; and

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

III. Contingent liabilities

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group provided guarantee to banks of approximately HK$21,243,000 in lieu of rental deposits.

In addition, a claim was lodged against the Enlarged Group by a landlord in respect of unpaid operating lease rentals of approximately RMB4,374,000 (equivalent to HK$4,422,000). The Enlarged Group disclaimed the liability and is defending the action and lodging a claim against the landlord in respect of breach of lease agreements and impairment loss of furniture and equipment of approximately RMB7,772,000 (equivalent to HK$7,857,000).

DISCLAIMER

Saved as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 30 September 2007, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

MATERIAL CHANGES

The Directors confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 30 September 2007.

5. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that following the completion of the Acquisitions, taking into account the financial resources available to the Enlarged Group, including internal resources and present banking facilities, and in the absence of unforeseen circumstances, the Enlarged Group has available sufficient working capital for its present requirements, that is for at least the next twelve months from the date of publication of this circular.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Business Review

(a) Hong Kong

Total revenue increased by 20.0% to HK$808.0 million (six months ended 31 August 2006: HK$673.3 million) and sales from retail operation increased by 20.5% to HK$755.3 million (six months ended 31 August 2006: HK$626.9 million) for the six months ended 31 August 2007. Overall comparable store sales increased by an impressive 16.7% as compared to the six months ended 31 August 2006. As at 31 August 2007, the Company had 150 stores (excluding French Connection stores operated by FCUK IT Company, our 50% owned joint venture) (31 August 2006: 153). The weighted average of the sales footage remained stable at 290,791 sq. ft. for the six months ended 31 August 2007 (the six months ended 31 August 2006: 291,156 sq. ft).

Retail sales of international product brands increased by 4.8% to HK$360.3 million (six months ended 31 August 2006: HK$343.7 million), accounting for 44.6% of total revenue. Due to the launch of :Chocoolate and Venilla suite and impressive performance of b+ab and 5cm, retail sales of in-house product brands increased significantly by 50.9% to HK$320.9 million (six months ended 31 August 2006: HK$212.6 million), accounting for 39.7% of total revenue. Retail sales of licensed product brands increased by 3.5% to HK$73.2 million (six months ended 31 August 2006: HK$70.7 million), accounting for 9.1% of total revenue.

As at 31 August 2007, FCUK IT Company had 6 stores (31 August 2006: 5), with a total sales area of 11,878 sq. ft. (31 August 2006: 11,563 sq. ft.). After incubating the French Connection brand in Hong Kong for more than 4 years, the brand is gaining more and more awareness among the customers and this joint venture reported a jump of 42.9% in revenue, from HK$31.9 million for the six months ended 31 August 2006 to HK$45.6 million for the six months ended 31 August 2007 and enjoyed a comparable store sales increase of 24.4%.

(b) Greater China (excluding Hong Kong)

GSIT, our 50% owned joint venture with Glorious Sun for the Greater China market (covering China, Taiwan and Macau), reported an increase of 55.3% in revenue, from HK$125.6 million for the six months ended 31 August 2006 to HK$194.7 million for the six months ended 31 August 2007. Comparable stores sales for the six months ended 31 August 2007 maintained a high growth rate of 36.8% (six months ended 31 August 2006: 25.2%).

In order to consolidate the aggressive expansion over the last few years, GSIT slowed down the opening of new stores in the first half this year. The total number of self-managed stores (excluding French Connection stores operated by FCIT China Limited, a 50% owned joint venture of GSIT) increased from 82 as at 31 August 2006 to 93 as at 31 August 2007. Total sales area of our self-managed stores was 173,900 sq. ft. as at 31 August 2007 (31 August 2006: 158,500 sq. ft.).

Franchise business had a moderate growth last year. Numbers of franchised stores increased to 54 (including 3 in Macau and excluding French Connection stores) as at 31 August 2007 from 38 as at 31 August 2006 and 45 as at 28 February 2007, with a total sales area of 51,900 sq. ft. (31 August 2006: 33,800 sq. ft.).

As part of our restructuring of our Taiwan operation, GSIT's 51% owned joint venture in Taiwan reduced its self-managed points of sale from 26 as at 31 August 2006 to 19 as at 31 August 2007. Further streamlining is expected given the continued uncertainty in the market.

GSIT's 50% owned joint venture with French Connection Group Plc followed a similar expansion pace as GSIT as a whole. Numbers of self-managed stores increased from 10 as at 31 August 2006 (with a total sales area of 16,500 sq. ft.) to 13 as at 31 August 2007 (with a total sales area of 19,100 sq. ft.). Numbers of franchised stores increased to 9 (31 August 2006: 4) and their total sales area was 12,000 sq. ft. (31 August 2006: 5,700 sq. ft.) as at 31 August 2007. Revenue of this joint venture increased by 84.3%, from HK$10.2 million for the six months ended 31 August 2006 to HK$18.8 million for the six months ended 31 August 2007 and reported a comparable store sales increase of 33.7%.

(c) Overseas

As at 31 August 2007, the Group had 13 franchised stores outside Greater China, 5 stores in Saudi Arabia and 8 stores in Thailand. This represents an increase of 5 stores over 8 stores as at 31 August 2006. Our existing franchisees are performing very well, and the Group plans to introduce :Chocoolate and Venilla suite brands to overseas markets next year. Other countries in the franchised business pipeline include Canada, Singapore, Indonesia and the Philippines.

Gross Profit

Gross profit increased by 21.5% to HK$467.1 million for the six months ended 31 August 2007 (six months ended 31 August 2006: HK$384.4 million). Gross profit margin on retail sales increased slightly to 60.8% for the six months ended 31 August 2007 (six months ended 31 August 2006: 60.3%). The improvement was mainly due to the reversal of the retail sales of inhouse brands (which have a comparatively higher margin) against international brands and the tightening of our discount policy to strengthen our brand equity.

Operating Expenses

Total operating expenses increased by 22.0% to HK$424.4 for the six months ended 31 August 2007 (six months ended 31 August 2006: HK$347.8 million), representing 52.5% (six months ended 31 August 2006: 51.7%) of total revenue.

Despite the continuing market pressure, the Group managed to maintain the percentage of total rental expenses (including management fee, rates and government rent) to total revenue for the six months ended 31 August 2007 at 22.5% (six months ended 31 August 2006: 22.7%). Total rental expenses increased by 19.1% and was slightly lower than the growth rate of total revenue.

The next key expenses item is staff cost which has increased by 24.3% during the period. Due to the launch of 2 new in-house brands late last year (with a majority of the full year's contribution to be reflected in the second half), staff cost as a percentage of total revenue increased to 19.1% (six month ended 31 August 2006: 18.4%). This increase in staff expenses contributes most of the increases in the total operating expenses as a percentage of total revenue in the current first half.

Advertising and promotion expenses increased only mildly at 11.9% during the six months ended 31 August 2007 representing 1.3% of total revenue (six month ended 31 August 2006: 1.4%). We expect to invest more in advertising and promotion in the second half of the year to further enhance overall corporate image and product branding.

During the six months ended 31 August 2007, other miscellaneous operating expenses (total operating expenses other than rental expenses, staff cost, advertising and promotion expenses and depreciation) increased by 33.3%, and as a percentage of total revenue, increased to 6.4% (six months ended 31 August 2006: 5.8%).

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

EBITDA increased by 14.3% from HK$74.0 million for the six months ended 31 August 2006 to HK$84.6 million for the six months ended 31 August 2007 at an operating margin of 10.5%.

Share of Results of Jointly Controlled Entities

Due to the encouraging performance of FCUK IT Company, share of profit of this joint venture during the six months ended 31 August 2007 increased significantly. Given the continued strong growth momentum, GSIT is close to reach the critical mass and to achieve breakeven, and therefore share of loss of this joint venture during the six months ended 31 August 2007 decreased substantially. Taken together, share of loss of jointly controlled entities decreased substantially from HK$8.3 million for the six months ended 31 August 2006 to HK$0.9 million for the six months ended 31 August 2007.

Net Profit

With the strong double digit growth in top-line revenue in Hong Kong, continuous improvement in gross profit margin and significantly improved performance of the jointly controlled entities, net profit for the six months ended 31 August 2007 increased by 41.4% to HK$44.1 million (six months ended 31 August 2006: HK$31.2 million).

Future Outlook

The Company has recently announced that it has entered into an agreement with Glorious Sun to buy back the remaining 50% interest in GSIT not owned by the Group. Completion is expected by the end of November 2007. This is a very important strategic move and signal a new era of the development of the Group. Following completion, GSIT (which will be renamed to I.T China Limited) would become a wholly-owned subsidiary of the Company whom will have full control of the strategy and development of the China markets including Macau and Taiwan. The Company will also be able to consolidate the China business, the fastest growing retail and consumer market in the world.

Expansion plan for China would be much accelerated. The Group will expand aggressively outside the existing core cities of Shanghai and Beijing to the growing affluent second tier cities like Nanjing, Hangzhou and Guangzhou. Points of sales will be added at department stores across China so as to improve efficiency and scale. The Company's target is to triple our retail footage in China over the next 3 years. Given that the loss from the China business has narrowed substantially during the six months ended 31 August 2007, the Company still strives to achieve the breakeven target for GSIT for the full year. With the rapid growth of the China economy and the Group's business in China, the Company is confident that China will contribute significantly to the revenue and net profit of the Group by the end of the 3-year plan.

Although the key driver for the medium and long term would be the China market, the Hong Kong market will continue to maintain a healthy growth and provide stable revenue and cash flow to the Group. The performance of the Hong Kong business is very encouraging in the first half of this year. We will strive to keep the growth momentum through revamping of existing stores and introduction of new international brands to Hong Kong. In fact, a new face has already been introduced to some of our stores, for example, the newly renovated i.t shop at Times Square, and they are well received. Our forthcoming strategy would be opening bigger stores to replace existing smaller ones so as to leverage the scale and improving sales per square feet as well as providing a more spacious and comfortable shopping environment to attract new customers through a new store format. The mega store of b+ab at Festival Walk is an example.

The new brands (:Chocoolate and Venilla suite) launched late last year are also doing very well and contributed approximately 6.1% of the total retail sales. They will be introduced to overseas markets next year.

The Group has continued to focus on improving its operational leverage processes. We believe that after the contribution of the 2 new brands is reflected in the full year results, key operating expenses such as staff cost will come down as a percentage of total revenue. Special task forces such as one working on improving the design cycle time and the sourcing process has been set up to further explore other cost benefits opportunities. The Board believes that with the new potential in the China market being now under our belt and the robust growth in Hong Kong, the Company is in a good position to expand in both scale and profitability over the next few years.

7. MATERIAL ADVERSE CHANGE

Save for the financial effects arising from the Acquisitions as set out in this circular and the change in financial or trading position of the Group as disclosed in the interim report of the Group for the six months ended 31 August 2007, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 28 February 2007, the date to which the latest audited financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

22 November 2007

The Directors
I.T Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of G.S – i.t Limited (the "GSIT Company") and its subsidiaries (together, the "GSIT Group") set out in Sections I to II below, for inclusion in the circular of I.T Limited (the "Company") dated 22 November 2007 (the "Circular") in connection with the proposed acquisition of the remaining 50% interest in the GSIT Company by the Company. The Financial Information comprises the balance sheets and consolidated balance sheets of the GSIT Company as at 31 December 2004, 2005 and 2006 and 31 August 2007, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the GSIT Company for the period from 10 November 2003 (date of incorporation of the GSIT Company) to 31 December 2004, each of the years ended 31 December 2005 and 2006 and the eight months ended 31 August 2006 and 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The GSIT Company was incorporated in Hong Kong as a limited liability company on 10 November 2003.

As at the date of this report, the GSIT Company has direct and indirect interests in the subsidiaries and jointly controlled entities as set out in Notes 16 and 17 respectively of Section I below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The consolidated financial statements of the GSIT Company for the period from 10 November 2003 (date of incorporation of the GSIT Company) to 31 December 2004 were audited by PricewaterhouseCoopers.

The Financial Information has been prepared based on the audited consolidated financial statements or, where appropriate, unaudited consolidated financial statements of the GSIT Company with no adjustment made thereon.

Directors' responsibility

The directors of the GSIT Company during the Relevant Periods are responsible for the preparation and the true and fair presentation of the consolidated financial statements of the GSIT Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements and the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

For the financial information for the period from 10 November 2003 (date of incorporation of the GSIT Company) to 31 December 2004, each of the years ended 31 December 2005 and 2006 and the eight months ended 31 August 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the audited consolidated financial statement or, where appropriate, the unaudited consolidated financial statements of the GSIT Company in preparing the Financial Information. For the purpose of this report, we have carried out independent audit procedures on the financial statements of all the companies comprising the GSIT Group in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the eight months ended 31 August 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the eight months ended 31 August 2006.

Opinion and review conclusion

In our opinion, the financial information for the period from 10 November 2003 (date of incorporation of the GSIT Company) to 31 December 2004, each of the years ended 31 December 2005 and 2006 and the eight months ended 31 August 2007, for the purpose of this report, gives a true and fair view of the state of affairs of the GSIT Company and of the GSIT Group as at 31 December 2004, 2005 and 2006 and 31 August 2007 and of the GSIT Group's results and cash flows for the years and periods then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the eight months ended 31 August 2006.

I. FINANCIAL INFORMATION

The following are the Financial Information of the GSIT Company and the GSIT Group as at 31 December 2004, 2005 and 2006 and 31 August 2007 and for the period from 10 November 2003 (date of incorporation of the GSIT Company) to 31 December 2004, each of the years ended 31 December 2005 and 2006 and the eight months ended 31 August 2006 and 2007.

Consolidated income statements

	Note	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	2007
		HK$'000	HK$'000	HK$'000	HK$'000 Unaudited	HK$'000
Turnover	5	71,652	192,327	298,471	170,853	268,038
Cost of sales	6	(43,579)	(86,490)	(137,975)	(83,092)	(129,625)
Gross profit		28,073	105,837	160,496	87,761	138,413
Operating expenses	6	(39,256)	(107,261)	(168,208)	(97,534)	(131,659)
Other gains	10	–	–	127	–	–
Operating (loss)/profit		(11,183)	(1,424)	(7,585)	(9,773)	6,754
Finance costs, net	9	(58)	(2,306)	(4,675)	(2,269)	(4,369)
Share of loss of jointly controlled entities, net of tax	17	(680)	(2,770)	(1,817)	(3,358)	(3,581)
Loss before income tax		(11,921)	(6,500)	(14,077)	(15,400)	(1,196)
Income tax credit/(expense)	11	1,441	135	943	629	(4,206)
Loss for the period/year, attributable to the equity holders of the GSIT Company	12	(10,480)	(6,365)	(13,134)	(14,771)	(5,402)
Loss per share for loss attributable to the entity holders of the GSIT Company	13					
– basic		(0.17)	(0.11)	(0.22)	(0.25)	(0.09)
– diluted		(0.17)	(0.11)	(0.22)	(0.25)	(0.09)

Consolidated balance sheets

	Note	As at 31 December 2004 HK$'000	As at 31 December 2005 HK$'000	As at 31 December 2006 HK$'000	As at 31 August 2007 HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	14	7,882	46,554	50,781	52,401
Intangible assets	15	14,119	26,594	24,147	22,458
Investments in and amounts due from jointly controlled entities	17	14,054	7,509	10,718	8,121
Rental deposits	18	2,734	8,269	15,202	12,263
Deferred income tax assets	25	1,943	5,585	9,424	12,942
		40,732	94,511	110,272	108,185
Current assets					
Inventories	19	17,328	42,388	75,050	84,389
Trade and other receivables	20	16,957	30,351	33,429	27,586
Due from jointly controlled entities	17	–	6,640	41,625	37,823
Due from a related company	31	–	772	1,016	335
Prepayments and deposits	18	4,506	3,709	7,581	17,525
Cash and cash equivalents	21	8,742	23,070	35,095	48,263
		47,533	106,930	193,796	215,921
LIABILITIES					
Current liabilities					
Trade payables	22	(5,336)	(12,854)	(27,170)	(7,855)
Borrowings	24	–	–	(20,000)	(20,000)
Accruals and other payables	23	(4,965)	(19,649)	(21,719)	(33,327)
Due to jointly controlled entities	17	–	–	(5,208)	(11,843)
Due to related companies	31	(1,514)	(19,093)	(54,562)	(72,628)
Due to shareholders	31	–	(40,000)	(8,623)	(13,801)
Current income tax liabilities		–	(4,279)	(5,461)	(7,409)
		(11,815)	(95,875)	(142,743)	(166,863)
Net current assets		35,718	11,055	51,053	49,058
Total assets less current liabilities		76,450	105,566	161,325	157,243
Non-current liabilities					
Other payables	23	–	(10,729)	(7,766)	(5,254)
Due to shareholders	31	(87,000)	(97,773)	(167,542)	(109,332)
Deferred income tax liabilities	25	(502)	–	–	–
		(87,502)	(108,502)	(175,308)	(114,586)
Net (liabilities)/assets		(11,052)	(2,936)	(13,983)	42,657
EQUITY					
Capital and reserve attributable to the GSIT Company's equity holders					
Share capital	26	–	–	–	60,000
Reserves	27	(11,052)	(2,936)	(13,983)	(17,343)
Total (deficit)/equity		(11,052)	(2,936)	(13,983)	42,657

Balance sheets

		As at 31 December			As at 31 August
		2004	**2005**	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Investments in and amounts due from subsidiaries	*16*	74,947	81,649	149,373	151,491
Investment in and amount due from a jointly controlled entity	*17*	11,735	10,959	11,318	11,327
		86,682	92,608	160,691	162,818
Current assets					
Due from a subsidiary	*16*	–	46,900	6,900	6,900
Cash and cash equivalents	*21*	280	182	176	146
		280	47,082	7,076	7,046
LIABILITIES					
Current liabilities					
Accruals and other payables	*23*	(3)	(3)	(3)	(6)
Due to shareholders	*31*	–	(40,000)	–	–
		(3)	(40,003)	(3)	(6)
Net current assets		277	7,079	7,073	7,040
Total assets less current liabilities		86,959	99,687	167,764	169,858
Non-current liabilities					
Due to shareholders	*31*	(87,000)	(97,773)	(167,542)	(109,332)
Net (liabilities)/assets		(41)	1,914	222	60,526
EQUITY					
Capital and reserve					
Share capital	*26*	–	–	–	60,000
Reserves	*27*	(41)	1,914	222	526
Total (deficit)/equity		(41)	1,914	222	60,526

Consolidated statements of changes in equity

		Attributable to equity holders of the GSIT Company		
		Share capital	Reserves	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 10 November 2003 (date of incorporation)		–	–	–
Loss for the period		–	(10,480)	(10,480)
Currency translation differences		–	(572)	(572)
Balance at 31 December 2004		–	(11,052)	(11,052)
Balance at 1 January 2005, as per above		–	(11,052)	(11,052)
Adjustment for the adoption of HKAS 39	*2.1*	–	11,880	11,880
Balance at 1 January 2005, as restated		–	828	828
Loss for the year		–	(6,365)	(6,365)
Currency translation differences		–	2,601	2,601
Balance at 31 December 2005		–	(2,936)	(2,936)
Loss for the year		–	(13,134)	(13,134)
Currency translation differences		–	2,087	2,087
Balance at 31 December 2006		–	(13,983)	(13,983)
Capitalisation of shareholders' loans		60,000	–	60,000
Loss for the period		–	(5,402)	(5,402)
Currency translation differences		–	2,042	2,042
Balance at 31 August 2007		60,000	(17,343)	42,657
For the eight months ended 31 August 2006 (unaudited)				
Balance at 31 December 2005		–	(2,936)	(2,936)
Loss for the period		–	(14,771)	(14,771)
Currency translation differences		–	92	92
Balance at 31 August 2006		–	(17,615)	(17,615)

Consolidated cash flow statements

	Note	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	2007
		HK$'000	HK$'000	HK$'000	HK$'000 Unaudited	HK$'000
Cash flows from operating activities						
Net cash (used in)/generated from operations	28(a)	(28,437)	2,365	(410)	327	20,709
Interest paid		(72)	(69)	(2,925)	(1,246)	(3,564)
Income tax paid		–	–	(1,271)	(1,974)	(5,703)
Net cash (used in)/generated from operating activities		(28,509)	2,296	(4,606)	(2,893)	11,442
Cash flows from investing activities						
Purchase of furniture and equipment		(8,069)	(46,254)	(25,007)	(10,398)	(8,915)
Proceeds from disposals of furniture and equipment	28(b)	–	74	1,223	–	–
Purchase of intangible assets		–	(562)	–	–	–
Acquisition of subsidiaries, net of cash acquired	28(c)	2,766	–	–	–	–
Disposal of a subsidiary, net of cash disposed	28(d)	–	–	22,530	–	–
(Increase)/Decrease in amounts due from jointly controlled entities		(14,734)	(5,190)	(39,481)	(12,802)	3,803
Interest received		14	111	305	109	348
Net cash used in investing activities		(20,023)	(51,821)	(40,430)	(23,091)	(4,764)
Cash flows from financing activities						
New borrowings		–	–	20,000	20,000	–
Repayment of borrowings		(4,720)	–	–	–	–
Increase in amounts due to shareholders		62,554	63,576	36,340	27,717	5,178
Net cash generated from financing activities		57,834	63,576	56,340	47,717	5,178
Net increase in cash and cash equivalents		9,302	14,051	11,304	21,733	11,856
Currency translation differences		(560)	277	721	721	1,312
Cash and cash equivalents at beginning of the period/year		–	8,742	23,070	23,070	35,095
Cash and cash equivalents at end of the period/year	28(f)	8,742	23,070	35,095	45,524	48,263

Notes to the Financial Information

1 GENERAL INFORMATION

G.S.–i.t Limited (the "GSIT Company") is an investment holding company. Its subsidiaries (which together with the GSIT Company are collectively referred to as the "GSIT Group") are principally engaged in the sales of fashion wears and accessories.

The GSIT Company was incorporated in Hong Kong as a limited liability company on 10 November 2003. The address of its registered office is 2/F., Glorious Sun Group Building, 97 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

The Financial Information is presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). It has been prepared under the historical cost convention.

As at 31 December 2004, 2005 and 2006, the GSIT Group had shareholders' deficit of approximately HK$11,052,000, HK$2,936,000 and HK$13,983,000 respectively. The shareholders undertook that the shareholders' loans of approximately HK$87,000,000, HK$137,773,000 and HK$176,165,000 are not repayable until the GSIT Company is financially capable of doing so. As such, the Financial Information has been prepared on a going concern basis which assumes that the GSIT Group is able to meet its financial obligations when they fall due.

The preparation of Financial Information 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 GSIT Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4. 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 Relevant Periods. Although these estimates are based on management's best knowledge of events and actions, actual results ultimately may differ from those estimates.

In 2005, the GSIT Group adopted all new and revised HKFRS Standards and Interpretations effective on 1 January 2005. The adoption of HKFRS 3 "Business Combinations" requires simultaneous adoption of HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets". Together with the adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKAS 39 (Amendment) "Transition and Initial Recognition of Financial Assets and Financial Liabilities", substantial changes to the GSIT Group's accounting policies were resulted.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The GSIT Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From 1 January 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The adoption of HKFRS 3 resulted in:

	As at 1 January 2005
	HK$'000
Decrease in cost of goodwill	3,905
Decrease in accumulated amortisation of goodwill	3,905

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.

GSIT Group

The adoption of HKASs 32, 39 and 39 (Amendment) resulted in a decrease in accumulated deficit at 1 January 2005 by approximately HK$11,880,000 and the details of the adjustments to the consolidated balance sheet as at 31 December 2005 are as follows:

	2005
	HK$'000
Decrease in rental deposits	1,163
Decrease in other payables	1,224
Decrease in amounts due from jointly controlled entities	2,471
Decrease in amounts due to shareholders	19,226
Decrease in accumulated deficit	16,816

GSIT Company

The adoption of HKASs 32, 39 and 39 (Amendment) resulted in a decrease in accumulated deficit at 1 January 2005 by approximately HK$2,542,000 and the details of the adjustments to the balance sheet as at 31 December 2005 are as follows:

	2005
	HK$'000
Decrease in amounts due from subsidiaries	15,171
Decrease in amounts due from jointly controlled entities	2,471
Decrease in amounts due to shareholders	19,226
Decrease in accumulated deficit	1,584

In 2006 the GSIT Group adopted all new and revised HKFRS Standards and Interpretations effective on 1 January 2006. The adoption of these new and revised HKFRS Standards and Interpretations did not have material effect on the Financial Information.

In 2007, the GSIT Group adopted HKFRS 7 "Financial Instruments: Disclosures", and the complementary Amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures" which introduced new disclosures relating to financial instruments and capital management, respectively. The following new and revised HKFRS Standards and Interpretations are effective on 1 January 2007 but are not relevant or do not have significant impact to the GSIT Groups operations:

– HK(IFRIC)-Int 7 – Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

– HK(IFRIC)-Int 8 – Scope of HKFRS 2

– HK(IFRIC)-Int 9 – Reassessment of Embedded Derivatives

– HK(IFRIC)-Int 10 – Interim Financial Reporting and Impairment

At the date of this report, the GSIT Group has not early adopted the following Standards and Interpretations which have been issued but are not yet effective:

– HKFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The GSIT Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

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

– HK(IFRIC)-Int 11 – HKFRS 2 – Group and Treasury Share Transfer (effective for annual periods beginning or after 1 March 2007). It provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The GSIT Group will apply HK(IFRIC)-Int 11 from 1 January 2008 but is currently not applicable to the GSIT Group as there are no share-based transactions.

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

– HK(IFRIC)-Int 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). It clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. . The GSIT Group will apply HK(IFRIC)-Int 13 from 1 January 2009. The expected impact is still being assessed in detail by management.

– HK(IFRIC)-Int 14 – HKAS 19 The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008). It provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply HK(IFRIC)-Int 14 from 1 January 2008, but it is not expected to have any impact on the group's financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the GSIT Company and its subsidiaries made up in the Relevant Periods.

(a) Subsidiaries

Subsidiaries are entities over which the GSIT Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the GSIT Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the GSIT Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the GSIT Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the GSIT Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies by the GSIT Group.

In the GSIT Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the GSIT Company on the basis of dividend received and receivable.

(b) Jointly controlled entities

Jointly controlled entities are entities where the GSIT Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The GSIT Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the GSIT Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the GSIT Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the GSIT Group and its jointly controlled entities are eliminated to the extent of the GSIT Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the GSIT Group.

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the GSIT Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the GSIT Company is Chinese Renminbi. The Financial Information is presented in Hong Kong Dollars ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Group companies*

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

2.5 Furniture and equipment

Furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the GSIT Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of furniture and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4 years or over the unexpired period of the lease, whichever is shorter
Furniture and fixtures	4 to 5 years
Office equipment	5 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6 Intangible assets

(a) Licence rights

Licence rights are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured as the fair value of the consideration given to acquire the licence at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the licence rights.

Licence rights are amortised over the licence period on a basis that reflects the pattern in which the licence's future economic benefits are expected to be consumed by the GSIT Group.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition.

Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The GSIT Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From 1 January 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

2.7 Impairment of investments in subsidiaries, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date and in this case they are classified as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. The GSIT Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method of costing and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are considered as loans and receivables and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the GSIT Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a receivable is uncollectible, it is written off against the allowance for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents are considered as loans and receivables. They include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

2.12 Trade payables

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

2.13 Licence fees payable

Licence fees payable in respect of the acquisition of licence rights are initially recognised at fair value of the consideration given to acquire the licence at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

Interest is accrued on licence fees payable and charged to interest expense. Changes in estimates of the expected cash flows are recognised as "other gains/(losses), net" in the income statement. The revised expected cash flows are discounted using the original effective interest rate to arrive at the carrying amount of the liability.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the GSIT Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the GSIT Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

For employees in Hong Kong, the GSIT Group has defined contribution plans. The GSIT Group pays contributions to trustee-administered pension funds on a mandatory, contractual or voluntary basis. For employees in Mainland China, the GSIT Group participates in defined contribution retirement benefit plans administered by the relevant municipal and provincial governments in Mainland China. The relevant municipal and provincial governments undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans. The GSIT Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17 Provisions

Provisions are recognised when the GSIT Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Share capital

Ordinary shares are classified as equity.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the GSIT Group.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Retail sales are usually paid in cash or by credit/debit cards. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in operating expenses.

(b) Interest income

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

2.20 Borrowing costs

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

2.21 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GSIT Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the GSIT Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.23 Financial guarantees

A financial guarantee (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The GSIT Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The GSIT Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Management regularly monitors the financial risks of the GSIT Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Foreign exchange risk

Majority of the subsidiaries of the GSIT Group operates in Mainland China with most of the transactions denominated in Chinese Renminbi. The GSIT Group is exposed to foreign exchange risk arising mainly from the exposure of Chinese Renminbi against Hong Kong Dollars. It has not hedged its foreign exchange rate risk.

In addition, the conversion of Chinese Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

At 31 December 2005, if Chinese Renminbi had strengthened/weakened by 3% against the Hong Kong Dollars with all other variables held constant, loss for the year and equity holders' deficit would have been approximately HK$4,123,000 lower/higher mainly as a result of foreign exchange gains/losses on translation of Hong Kong Dollars-denominated shareholders' loans.

At 31 December 2006, if Chinese Renminbi had strengthened/weakened by 3% against the Hong Kong Dollars with all other variables held constant, loss for the year and equity holders' deficit would have been approximately HK$5,136,000 lower/higher mainly as a result of foreign exchange gains/losses on translation of Hong Kong Dollars-denominated shareholders' loans.

At 31 August 2007, if Chinese Renminbi had strengthened/weakened by 3% against the Hong Kong Dollars with all other variables held constant, loss for the year would have been approximately HK$3,501,000 lower/higher and equity holders' equity would have been approximately HK$3,501,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of Hong Kong Dollars-denominated shareholders' loans.

At 31 December 2004, 2005 and 2006 and 31 August 2007, foreign exchange risk on financial assets and liabilities denominated in United States Dollars, New Taiwanese Dollars, Euros and Pound Sterling were insignificant to the GSIT Group.

(b) Credit risk

The credit risk of the GSIT Group mainly arises from cash and cash equivalents, trade receivables and other receivables, rental deposits, amounts due from jointly controlled entities and amount due from a related company. The carrying amounts of these balances represent the GSIT Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2004, 2005, 2006 and 31 August 2007, all the bank deposits are deposited in the high quality financial institutions without significant credit risk.

The table below shows the bank deposits balance of the 3 major banks as at 31 December 2004, 2005, 2006 and 31 August 2007. Management does not expect any losses from non-performance by these banks.

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

		As at 31 December			As at 31 August
		2004	**2005**	**2006**	**2007**
Counterpart	**Rating** *(i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Industrial and Commercial Bank of China	BBB+	4,564	15,232	26,490	35,450
The Standard Chartered Bank	A+	3,584	4,521	1,360	910
Bank of China	BBB+	–	1,483	2,653	3,366
		8,148	21,236	30,503	39,726

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

Retail sales are usually paid in cash or by major credit/debit cards. The GSIT Group's credit sales are only made to wholesale customers with an appropriate credit history and on credit terms within 30 days.

The table below shows the major debtors as at 31 December 2004, 2005, 2006 and 31 August 2007.

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
Counterpart	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Debtor A	–	1,735	1,103	1,661
Debtor B	–	695	1,285	1,869
Debtor C	–	–	2,465	2,377
Debtor D	–	1,269	1,237	1,090
Debtor E	–	880	2,009	2,181
Debtor F	1,706	5,502	4,088	–
Debtor G	940	3,603	3,564	–
	2,646	13,684	15,751	9,178

Note:

These debtors have no defaults in the past.

(c) Liquidity risk

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

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

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2004					
Trade payables	5,336	–	–	–	5,336
Accruals and other payables	4,965	–	–	–	4,965
Due to related companies	1,514	–	–	–	1,514
Due to shareholders	–	–	–	87,000	87,000
	11,815	–	–	87,000	98,815
As at 31 December 2005					
Licence fees payables	2,106	3,816	8,479	–	14,401
Trade payables	12,854	–	–	–	12,854
Accruals and other payables	17,913	–	–	–	17,913
Due to related companies	19,093	–	–	–	19,093
Due to shareholders	40,000	–	–	117,000	157,000
	91,966	3,816	8,479	117,000	221,261
As at 31 December 2006					
Borrowings and interest payment	21,070	–	–	–	21,070
Licence fees payables	3,816	3,760	4,719	–	12,295
Trade payables	27,170	–	–	–	27,170
Accruals and other payables	17,946	–	–	–	17,946
Due to related companies	54,562	–	–	–	54,562
Due to jointly controlled entities	5,208	–	–	–	5,208
Due to shareholders	8,623	–	–	187,000	195,623
	138,395	3,760	4,719	187,000	333,874
As at 31 August 2007					
Borrowings and interest payment	21,186	–	–	–	21,186
Licence fees payables	3,635	4,479	1,180	–	9,294
Trade payables	7,855	–	–	–	7,855
Accruals and other payables	29,885	–	–	–	29,885
Due to related companies	72,628	–	–	–	72,628
Due to jointly controlled entities	11,843	–	–	–	11,843
Due to shareholders	13,801	–	–	127,000	140,801
	160,833	4,479	1,180	127,000	293,492

(d) Cash flow and fair value interest rate risk

Except for the short-term bank borrowings as at 31 December 2006 and 31 August 2007 of HK$20,000,000 held at effective interest rates ranging from 5.3% per annum to 5.5% per annum and HK$20,000,000 held at effective interest rates ranging from 5.5% per annum to 5.9% per annum, respectively, the GSIT Group has no significant interest-bearing assets and liabilities. The short-term bank borrowings at floating rate expose the GSIT Group to cash flow interest rate risk which is insignificant to the GSIT Group. The GSIT Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the GSIT Group for similar financial instruments.

3.3 Capital risk management

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

In order to maintain or adjust the capital structure, the GSIT Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The GSIT Group monitors capital on the basis of total equity and shareholders' loans as shown in the consolidated balance sheets. The table below analyses the GSIT Group's capital structure as at 31 December 2004, 2005, 2006 and 31 August 2007:

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total (deficit)/equity	(11,052)	(2,936)	(13,983)	42,657
Shareholders' loans (face value)	87,000	157,000	195,623	140,801
	75,948	154,064	181,640	183,458

The GSIT Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The GSIT Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of investments in and amounts due from jointly controlled entities, furniture and equipment and licence rights

Investments in and amounts due from jointly controlled entities, furniture and equipment and licence rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the GSIT Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(b) Impairment of goodwill

The GSIT Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Net realisable value of inventories

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

(d) Income taxes

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

5 SEGMENT INFORMATION

(a) Analysis of revenue by category

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Turnover					
– Sales of fashion wears and accessories	69,786	191,214	297,736	170,322	266,697
– Sales of shop materials	1,866	1,113	735	531	1,341
	71,652	192,327	298,471	170,853	268,038

(b) Segment information

No segment analysis for business segment is presented as the GSIT 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 (excluding investments in and amounts due from jointly controlled entities) and liabilities were located in Mainland China. The Group's operations in Taiwan are carried out through its jointly controlled entities.

6 EXPENSES BY NATURE

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Unaudited	
Cost of inventories sold	41,935	83,651	134,023	77,662	126,177
Write-downs of inventories to net realisable value	1,644	2,839	3,952	5,430	3,448
Employment costs (including directors' emoluments) *(Note 7)*	9,541	27,402	39,583	24,940	34,077
Operating lease rentals of premises					
– minimum lease payments	8,456	43,131	49,145	30,435	39,508
– contingent rents	–	3,358	16,760	9,389	17,209
Advertising and promotion costs	1,070	1,441	2,602	1,535	2,960
Depreciation of furniture and equipment	515	6,890	10,369	7,046	8,618
Amortisation of goodwill (included in operating expenses)	3,905	–	–	–	–
Amortisation of licence rights (included in operating expenses)	–	2,240	3,614	2,014	2,251
Loss on disposals of furniture and equipment	–	896	803	3	396
Provision for impairment of receivables	261	1,783	3,563	763	1,561
Provision for impairment of furniture and equipment	–	–	3,798	–	–
Net exchange losses/(gains)	45	(840)	(1,811)	150	(7,020)
Auditor's remuneration	450	630	760	507	567
Other expenses	15,013	20,330	39,022	20,752	31,532
Total cost of sales and operating expenses	82,835	193,751	306,183	180,626	261,284

7 EMPLOYMENT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Salaries, commission and allowances	8,979	22,122	32,005	20,198	27,522
Pension costs — employer's contributions to defined contribution plans *(Note a)*	350	3,390	6,477	4,065	5,737
Staff welfare and benefits	212	1,890	1,101	677	818
	9,541	27,402	39,583	24,940	34,077

(a) Pensions — defined contribution plan

The GSIT Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the GSIT Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

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

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the GSIT Company for period from 10 November 2003 (date of incorporation) to 31 December 2004 is set out below:

Name of directors	Fees	Salaries and allowances	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Sham Kar Wai	–	–	–	–
Mr. Sham Kin Wai	–	–	–	–
Ms. Sham Sau Han	–	–	–	–
Mr. Yeung Chun Kam	–	–	–	–
Mr. Yeung Chun Fan	–	–	–	–
Mr. Chow Hing Ping	–	–	–	–
Mr. Leung Shu Shum	–	–	–	–
Mr. Chan Wai Mo	–	1,320	13	1,333
	–	1,320	13	1,333

The remuneration of each director of the GSIT Company for the year ended 31 December 2005 is set out below:

Name of directors	Fees	Salaries and allowances	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Sham Kar Wai	–	–	–	–
Mr. Sham Kin Wai	–	–	–	–
Ms. Sham Sau Han	–	–	–	–
Mr. Yeung Chun Kam	–	–	–	–
Mr. Yeung Chun Fan	–	–	–	–
Mr. Chow Hing Ping	–	–	–	–
Mr. Leung Shu Shum	–	–	–	–
Mr. Chan Wai Mo	–	1,836	12	1,848
	–	1,836	12	1,848

The remuneration of each director of the GSIT Company for the year ended 31 December 2006 is set out below:

Name of directors	Fees	Salaries and allowances	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Sham Kar Wai	–	–	–	–
Mr. Sham Kin Wai *(i)*	–	–	–	–
Ms. Sham Sau Han	–	–	–	–
Mr. Yeung Chun Kam	–	–	–	–
Mr. Yeung Chun Fan	–	–	–	–
Mr. Chow Hing Ping	–	–	–	–
Mr. Leung Shu Shum	–	–	–	–
Mr. Chan Wai Mo	–	1,814	12	1,826
Dr. Lo Wing Yan, William *(ii)*	–	–	–	–
	–	1,814	12	1,826

The remuneration of each director of the GSIT Company for the eight months ended 31 August 2006 is set out below:

Name of directors	Fees	Salaries and allowances	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mr. Sham Kar Wai	–	–	–	–
Mr. Sham Kin Wai	–	–	–	–
Ms. Sham Sau Han	–	–	–	–
Mr. Yeung Chun Kam	–	–	–	–
Mr. Yeung Chun Fan	–	–	–	–
Mr. Chow Hing Ping	–	–	–	–
Mr. Leung Shu Shum	–	–	–	–
Mr. Chan Wai Mo	–	1,217	8	1,225
	–	1,217	8	1,225

The remuneration of each director of the GSIT Company for the eight months ended 31 August 2007 is set out below:

Name of directors	Fees	Salaries and allowances	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Sham Kar Wai	–	–	–	–
Mr. Sham Kin Wai	–	–	–	–
Ms. Sham Sau Han	–	–	–	–
Mr. Yeung Chun Kam	–	–	–	–
Mr. Yeung Chun Fan	–	–	–	–
Mr. Chow Hing Ping	–	–	–	–
Mr. Leung Shu Shum	–	–	–	–
Mr. Chan Wai Mo *(iii)*	–	139	1	140
Dr. Lo Wing Yan, William	–	–	–	–
	–	139	1	140

No directors waived any emoluments during the Relevant Periods.

Notes:

(i) Mr. Sham Kin Wai resigned on 28 September 2006 and was re-appointed on 9 February 2007.

(ii) Dr. Lo Wing Yan, William was appointed on 28 September 2006.

(iii) Mr. Chan Wai Mo was removed on 9 February 2007.

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the GSIT Group for the period from 10 November 2003 to 31 December 2004, each of the years ended 31 December 2005 and 2006, and the eight months ended 31 August 2006 and 2007 include one, one, one, one and one director, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Salaries, commission and allowances	1,093	1,871	2,317	1,507	1,770
Pension costs — employer's contributions to defined contribution plans	28	42	40	29	29
	1,121	1,913	2,357	1,536	1,799

The emoluments of the remaining individuals fell within the following bands:

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006 Unaudited	2007
Emolument band					
Nil – HK$1,000,000	4	4	4	4	4

(c) During the Relevant Periods, no emolument was paid by the GSIT Company to any of the directors or the five highest individuals as an inducement to join or upon joining the GSIT Group or as compensation for loss of office.

9 FINANCE COSTS, NET

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Interest income from					
– bank deposits	14	111	305	109	348
– amounts due from jointly controlled entities *(i)*	–	355	207	74	354
– others *(i)*	–	321	319	273	462
Finance income	14	787	831	456	1,164
Interest expense on					
– bank borrowings wholly repayable within five years	(72)	(69)	(555)	(190)	(725)
– amounts due to shareholders *(i)*	–	(2,671)	(2,052)	(1,174)	(1,789)
– amounts due to a related company	–	–	(2,370)	(1,056)	(2,839)
– licence fees payable *(i)*	–	(353)	(529)	(305)	(180)
Finance costs	(72)	(3,093)	(5,506)	(2,725)	(5,533)
Net finance costs	(58)	(2,306)	(4,675)	(2,269)	(4,369)

Note:

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

10 OTHER GAINS

On 14 September 2006, the GSIT Group disposed of its entire interest in Kenchart Apparels (Shanghai) Limited to FCIT China Limited, a 50% owned jointly controlled entity, and recorded a gain on disposal of approximately HK$127,000.

11 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the Relevant Periods. Mainland China enterprise income tax has been provided at the applicable rates ranging from 15% to 33% on the profits of the GSIT Group's operations in Mainland China, in accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

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

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Current income tax					
– Hong Kong profits tax	–	–	–	–	–
– Mainland China taxation	–	(4,009)	(2,667)	(1,778)	(7,447)
Deferred income tax *(Note 25)*	1,441	4,144	3,610	2,407	3,241
	1,441	135	943	629	(4,206)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits/(losses) of the consolidated companies as follows:

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Loss before income tax	(11,921)	(6,500)	(14,077)	(15,400)	(1,196)
Adjustment: share of loss of jointly controlled entities, net of tax	680	2,770	1,817	3,358	3,581
Adjusted (loss)/profit before income tax	(11,241)	(3,730)	(12,260)	(12,042)	2,385
Tax calculated at applicable tax rates	(2,003)	(584)	(1,161)	(2,717)	3,690
Income not subject to tax	–	(1,581)	(586)	(199)	(329)
Expenses not deductible for tax purposes	107	610	819	776	528
Deferred tax assets not recognised	455	1,420	–	1,511	2
Utilisation of unrecognised tax loss	–	–	(15)	–	–
Increase in opening net deferred tax assets resulting from a decrease in tax rate	–	–	–	–	315
Tax (credit)/expense	(1,441)	(135)	(943)	(629)	4,206

The weighted average applicable tax rates were 17.8%, 15.7%, 9.5%, 22.6% and 154.7% for the period from 10 November 2003 (date of incorporation) to 31 December 2004, each of the years ended 31 December 2005 and 2006 and for the eight months ended 31 August 2006 and 2007, respectively. The changes are caused by changes in the profitability of the GSIT Group's subsidiaries in the respective taxation jurisdictions.

12 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE GSIT COMPANY

The loss attributable to equity holders of the GSIT Company were dealt with in the financial statements of the GSIT Company to the extent of loss of HK$41,000, loss of HK$1,053,000, loss of HK$1,725,000, loss of HK$1,363,000 and profit of HK$248,000 for the period from 10 November 2003 (date of incorporation) to 31 December 2004, each of the years ended 31 December 2005 and 2006 and for the eight months ended 31 August 2006 and 2007, respectively.

13 LOSS PER SHARE

Basic

The calculation of basic loss per share for the Relevant Periods is based on the consolidated loss attributable to equity holders of the GSIT Company and on the weighted average number of ordinary shares in issue during the period/year.

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006 Unaudited	Eight months ended 31 August 2007
Loss attributable to equity holders of the Company (HK$'000)	(10,480)	(6,365)	(13,134)	(14,771)	(5,402)
Weighted average number of ordinary shares in issue ('000) *(note)*	60,000	60,000	60,000	60,000	60,000
Basic loss per share (HK$)	(0.17)	(0.11)	(0.22)	(0.25)	(0.09)

Note: The number of ordinary shares for the calculation of basic loss per share has been adjusted retrospectively to 600,000,000 shares during the Relevant Periods as a result of capitalisation of shareholders' loan on 27 March 2007 (see Note 26).

Diluted

The GSIT Company has no dilutive potential shares in issue during the Relevant Periods, diluted loss per share equals to the basic loss per share.

14 FURNITURE AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 10 November 2003 (date of incorporation)					
Cost	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–
Net book amount	–	–	–	–	–
Period ended 31 December 2004					
Opening net book amount	–	–	–	–	–
Additions	6,788	135	1,146	–	8,069
Acquisition of subsidiaries	76	–	15	239	330
Depreciation	(315)	(27)	(109)	(64)	(515)
Exchange differences	(1)	–	–	(1)	(2)
Closing net book amount	6,548	108	1,052	174	7,882
At 31 December 2004					
Cost	6,863	135	1,161	238	8,397
Accumulated depreciation	(315)	(27)	(109)	(64)	(515)
Net book amount	6,548	108	1,052	174	7,882
Year ended 31 December 2005					
Opening net book amount	6,548	108	1,052	174	7,882
Additions	38,546	5,757	1,867	84	46,254
Disposals	(970)	–	–	–	(970)
Depreciation	(5,321)	(947)	(587)	(35)	(6,890)
Exchange differences	245	4	24	5	278
Closing net book amount	39,048	4,922	2,356	228	46,554
At 31 December 2005					
Cost	44,543	5,897	3,055	329	53,824
Accumulated depreciation	(5,495)	(975)	(699)	(101)	(7,270)
Net book amount	39,048	4,922	2,356	228	46,554

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2006					
Opening net book amount	39,048	4,922	2,356	228	46,554
Additions	20,543	2,140	2,231	93	25,007
Disposals	(829)	(484)	(641)	(72)	(2,026)
Disposal of a subsidiary	(5,811)	(119)	(54)	–	(5,984)
Depreciation	(8,612)	(1,051)	(643)	(63)	(10,369)
Impairment	(3,798)	–	–	–	(3,798)
Exchange differences	1,254	76	61	6	1,397
Closing net book amount	41,795	5,484	3,310	192	50,781
At 31 December 2006					
Cost	52,810	7,315	4,430	349	64,904
Accumulated depreciation and impairment	(11,015)	(1,831)	(1,120)	(157)	(14,123)
Net book amount	41,795	5,484	3,310	192	50,781
Eight months ended 31 August 2007					
Opening net book amount	41,795	5,484	3,310	192	50,781
Additions	6,535	1,369	1,011	–	8,915
Disposals	(261)	(109)	(26)	–	(396)
Depreciation	(6,908)	(989)	(676)	(45)	(8,618)
Exchange differences	1,538	101	73	7	1,719
Closing net book amount	42,699	5,856	3,692	154	52,401
At 31 August 2007					
Cost	60,969	8,668	5,504	362	75,503
Accumulated depreciation and impairment	(18,270)	(2,812)	(1,812)	(208)	(23,102)
Net book amount	42,699	5,856	3,692	154	52,401

Depreciation expense had been included in operating expenses during the Relevant Periods.

Impairment had been charged for the year ended 31 December 2006. The impairment charge was the amount by which the carrying amount of the furniture and equipment exceeded its recoverable amount which was determined based on the value-in-use estimated by the management as at 31 December 2006.

15 INTANGIBLE ASSETS

	Goodwill *HK$'000*	Licence rights *HK$'000*	Total *HK$'000*
At 10 November 2003 (date of incorporation)			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
Period ended 31 December 2004			
Opening net book amount	–	–	–
Acquisition of subsidiaries	18,024	–	18,024
Amortisation	(3,905)	–	(3,905)
Closing net book amount	14,119	–	14,119
At 31 December 2004			
Cost	18,024	–	18,024
Accumulated amortisation	(3,905)	–	(3,905)
Net book amount	14,119	–	14,119
Year ended 31 December 2005			
Opening net book amount	14,119	–	14,119
Addition	–	14,251	14,251
Acquisition of a subsidiary	9	–	9
Amortisation	–	(2,240)	(2,240)
Exchange differences	455	–	455
Closing net book amount	14,583	12,011	26,594
At 31 December 2005			
Cost	14,583	14,251	28,834
Accumulated amortisation	–	(2,240)	(2,240)
Net book amount	14,583	12,011	26,594
Year ended 31 December 2006			
Opening net book amount	14,583	12,011	26,594
Additions	–	711	711
Amortisation	–	(3,614)	(3,614)
Exchange differences	456	–	456
Closing net book amount	15,039	9,108	24,147
At 31 December 2006			
Cost	15,039	14,962	30,001
Accumulated amortisation	–	(5,854)	(5,854)
Net book amount	15,039	9,108	24,147
Eight months ended 31 August 2007			
Opening net book amount	15,039	9,108	24,147
Additions	–	–	–
Amortisation	–	(2,251)	(2,251)
Exchange differences	562	–	562
Closing net book amount	15,601	6,857	22,458
At 31 August 2007			
Cost	15,601	14,962	30,563
Accumulated amortisation	–	(8,105)	(8,105)
Net book amount	15,601	6,857	22,458

Amortisation expense had been included in operating expenses during the Relevant Periods.

Impairment tests for goodwill

Goodwill is allocated to a cash-generating unit ("CGU") which represented the retail business acquired by the GSIT Group.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the subsequent year. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the retail business in Mainland China in which the CGU operates.

Key assumptions used for value-in-use calculations

	As at 31 December 2004	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
Gross margin	51%	58%	53%	53%
Growth rate	7%	7%	7%	9%
Discount rate	9%	13%	12%	13%

These assumptions have been used for the analysis of the CGU.

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

16 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — GSIT COMPANY

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investments, at cost	19,144	19,144	19,144	19,144
Due from a subsidiary	55,803	109,032	136,146	137,511
Exchange differences	–	373	983	1,736
	74,947	128,549	156,273	158,391
Less: current portion of amount due from a subsidiary	–	(46,900)	(6,900)	(6,900)
	74,947	81,649	149,373	151,491

(a) Details of the subsidiaries as at the date of this report:

Name	Place of incorporation/ establishment and operations	Registered capital/issued and fully paid capital	Percentage of equity interest attributable to the GSIT Group		Principal activities
			Directly	Indirectly	
New Concepts Corporation Limited	Hong Kong	HK$2	100%	–	Investment holding
旭日宜泰服飾(惠州)有限公司 *(i)*	Mainland China	HK$10,000,000	100%	–	Dormant
Income Team Consultancy (Shanghai) Limited *(ii)*	Mainland China	US$140,000	–	100%	Dormant
Kenchart Trading (Shanghai) Limited *(ii)*	Mainland China	US$3,590,000	–	100%	Dormant
Zoompac Limited	Hong Kong	HK$1	–	100%	Investment holding
Zoompac Apparel (Shanghai) Limited *(ii)*	Mainland China	US$3,700,000	–	100%	Retail and trading of fashion wears and accessories

Notes:

(i) 旭日宜泰服飾(惠州)有限公司 is a wholly foreign owned enterprise established in Huizhou, Guangdong Province, Mainland China to be operated for 20 years up to 2024.

(ii) Income Team Consultancy (Shanghai) Limited, Kenchart Trading (Shanghai) Limited and Zoompac Apparel (Shanghai) Limited are wholly foreign owned enterprises established in Shanghai, Mainland China to be operated for 20 years up to 2022, 20 years up to 2023 and 30 years up to 2035, respectively.

(b) Due from a subsidiary

Amounts due from a subsidiary of approximately HK$55,803,000, HK$62,132,000, HK$129,246,000 and HK$130,611,000 as at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively, were unsecured, non-interest bearing and repayable in 2016. These amounts were carried at amortised cost using the effective interest rate of 3% per annum.

The remaining balances due from a subsidiary of approximately HK$46,900,000, HK$6,900,000 and HK$6,900,000 as at 31 December 2005 and 2006 and 31 August 2007, respectively, were unsecured, non-interest bearing and repayable on demand.

The carrying amounts and fair values of amounts due from a subsidiary were as follows:

	Carrying amounts				Fair values			
	As at 31 December			As at 31 August	As at 31 December			As at 31 August
	2004	2005	2006	2007	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from a subsidiary	55,803	109,032	136,146	137,511	43,579	107,339	95,532	101,034

The fair values of amounts due from a subsidiary are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

The amounts due from a subsidiary were denominated in Hong Kong Dollars.

17 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES

(a) GSIT Group

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net liabilities	(680)	(3,740)	(5,107)	(8,059)
Due from jointly controlled entities	14,734	17,889	57,450	54,003
	14,054	14,149	52,343	45,944
Less: current portion of amount due from jointly controlled entities	–	(6,640)	(41,625)	(37,823)
	14,054	7,509	10,718	8,121
Due to a jointly controlled entity	–	–	(5,208)	(11,843)

Share of net liabilities of jointly controlled entities — GSIT Group

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Beginning of the period/year	–	(680)	(3,740)	(3,740)	(5,107)
Share of results of jointly controlled entities					
– loss before income tax	(680)	(2,770)	(1,817)	(3,358)	(2,924)
– taxation	–	–	–	–	(657)
– currency translation differences	–	(290)	450	–	629
End of the period/year	(680)	(3,740)	(5,107)	(7,098)	(8,059)

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

	Revenues	Losses	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Commitments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2004	2,528	680	4,312	15,061	(11,732)	(8,321)	–
31 December 2005	19,587	2,770	4,522	10,560	(13,432)	(5,390)	–
31 December 2006	28,874	1,817	6,370	31,883	(24,270)	(19,090)	–
31 August 2007	28,499	3,581	5,459	26,670	(22,946)	(17,242)	–

Details of the jointly controlled entities as at the date of this report:

Name	Place of incorporation/ establishment and operations	Issued and fully paid capital	Percentage of equity interest attributable to the GSIT Group directly	indirectly	Principal activities
Top Alliance Enterprises Limited	British Virgin Islands	US$100	51%	–	Investment holding
I.T Taiwan Limited	Hong Kong	HK$1	–	51%	Investment holding
FCIT (China) Limited	Hong Kong	HK$2	–	50%	Investment holding
Kenchart Apparels (Shanghai) Limited	Mainland China	US$3,700,000	–	50%	Retail and trading of fashion wears and accessories

Balances with jointly controlled entities — GSIT Group

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name				
Due from jointly controlled entities				
Top Alliance Enterprises Limited	11,735	11,249	11,129	11,326
I.T Taiwan Limited	2,999	6,640	22,586	18,425
FCIT (China) Limited	–	–	23,735	24,252
	14,734	17,889	57,450	54,003
Due to a jointly controlled entity				
Kenchart Apparels (Shanghai) Limited	–	–	(5,208)	(11,843)

As at 31 December 2006 and 31 August 2007, amounts due from FCIT (China) Limited of approximately HK$4,696,000 and HK$4,854,000, respectively, were unsecured, non-interest bearing and fully repayable in 2016. These amounts were carried at amortised costs using the effective interest rate of 3% per annum.

As at 31 December 2004, 2005 and 2006 and 31 August 2007, amounts due from Top Alliance Enterprises Limited of approximately HK$11,735,000, HK$11,249,000, HK$11,129,000 and HK$11,326,000, respectively, were unsecured, non-interest bearing and fully repayable in 2014. These amounts were carried at amortised costs using the effective interest rate of 3% per annum.

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

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

	Carrying amounts				Fair values			
	As at 31 December			As at 31 August	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**	**2004**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from jointly controlled entities	14,734	17,889	57,450	54,003	11,987	17,201	55,475	51,681

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

The fair values of amounts due from jointly controlled entities are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

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

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollars	12,058	12,056	31,511	36,287
New Taiwanese Dollars	2,659	5,828	21,956	17,708
Pound Sterling	–	–	3,089	–
United States Dollars	–	–	218	–
Euros	–	–	672	–
Chinese Renminbi	17	5	4	8
	14,734	17,889	57,450	54,003

Amounts due to a jointly controlled entity were denominated Chinese Renminbi.

(b) GSIT Company

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment, at cost	–	–	–	–
Due from a jointly controlled entity	11,735	10,959	11,318	11,327
	11,735	10,959	11,318	11,327

Due from a jointly controlled entity — GSIT Company

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name				
Due from a jointly controlled entity				
Top Alliance Enterprises Limited	11,735	10,959	11,318	11,327

As at 31 December 2004, 2005 and 2006 and 31 August 2007, amounts due from Top Alliance Enterprises Limited were unsecured, non-interest bearing and repayable in 2014. These amounts were carried at amortised costs using the effective interest rate of 3% per annum.

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

	Carrying amounts				Fair values			
	As at 31 December			As at 31 August	As at 31 December			As at 31 August
	2004	2005	2006	2007	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from a jointly controlled entity	11,735	10,959	11,318	11,327	8,989	10,561	9,169	9,216

The fair values of amounts due from a jointly controlled entity are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

Amounts due from a jointly controlled entity were denominated in Hong Kong Dollars.

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

18 PREPAYMENTS AND OTHER DEPOSITS

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits	3,190	10,015	17,795	19,113
Prepayments and other deposits	4,050	1,963	4,988	10,675
	7,240	11,978	22,783	29,788
Less non-current portion:				
Rental deposits	(2,734)	(8,269)	(15,202)	(12,263)
	4,506	3,709	7,581	17,525

Rental deposits were carried at amortised costs using the effective interest rates ranging from 3% per annum to 6% per annum determined at the inception date.

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

	Carrying amounts				Fair values			
	As at 31 December			As at 31 August	As at 31 December			As at 31 August
	2004	2005	2006	2007	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits	3,190	10,015	17,795	19,113	2,639	10,328	17,706	18,581

The fair values of rental deposits are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

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

19 INVENTORIES

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fashion wears and accessories	17,328	42,388	75,050	84,389

20 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	3,682	19,447	24,611	13,858
Less: Provision for impairment of receivables	–	–	(256)	(327)
Trade receivables, net	3,682	19,447	24,355	13,531
Other receivables	20,591	20,309	22,553	29,233
Less: Provision for impairment of receivables	(7,316)	(9,405)	(13,479)	(15,178)
Other receivables, net	13,275	10,904	9,074	14,055
Trade and other receivables	16,957	30,351	33,429	27,586

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

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Beginning of the period/year	–	–	–	–	256
Provision for impairment of receivables	–	–	256	–	61
Exchange differences	–	–	–	–	10
End of the period/year	–	–	256	–	327

As of 31 December 2006 and 31 August 2007, trade receivables of HK$327,000 and HK$327,000, respectively, were impaired. The amounts of the provision were HK$256,000 and HK$327,000 as of 31 December 2006 and 31 August 2007, respectively. The individually impaired receivable mainly related to a wholesaler, which was in unexpected difficult economic situations. It was assessed that a portion of the receivable was expected to be recovered. These receivables were aged over 120 days as at 31 December 2006 and 31 August 2007.

The ageing analysis of trade receivables past due but not impaired as at 31 December 2004, 2005 and 2006 and 31 August 2007 was as follows:

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	307	5,334	2,429	1,749
31 to 60 days	–	1,459	577	–
61 to 90 days	–	2,418	1,410	–
91 to 120 days	35	420	1,389	–
Over 120 days	–	–	59	–
	342	9,631	5,864	1,749

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

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Beginning of the period/year	–	7,316	9,405	9,405	13,479
Acquisition of a subsidiary	7,055	–	–	–	–
Provision for impairment of receivables	261	1,783	3,307	763	1,500
Exchange differences	–	306	767	–	199
End of the period/year	7,316	9,405	13,479	10,168	15,178

As of 31 December 2004, 2005 and 2006 and 31 August 2007, other receivables of HK$14,746,000, HK$16,848,000, HK$17,155,000 and HK$17,324,000, respectively, were impaired. The amounts of provision were HK$7,316,000, HK$9,405,000, HK$13,479,000 and HK$15,178,000 as of 31 December 2004, 2005 and 2006 and 31 August 2007, respectively. The individually impaired receivable mainly related to a counterparty, which was in unexpected difficult economic situations. It was assessed that a portion of the receivable was expected to be recovered. These receivables were aged over 120 days as at 31 December 2004, 2005 and 2006 and 31 August 2007.

There were no other receivables past due but not impaired as at 31 December 2004, 2005 and 2006 and 31 August 2007.

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

	As at 31 December 2004	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chinese Renminbi	16,592	30,351	33,429	27,586
Hong Kong Dollars	36	–	–	–
New Taiwanese Dollars	329	–	–	–
	16,957	30,351	33,429	27,586

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

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

The ageing analysis of trade receivables as at 31 December 2004, 2005 and 2006 and 31 August 2007 was as follows:

	As at 31 December 2004	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	2,968	9,816	17,782	11,782
31 to 60 days	340	5,334	3,133	1,749
61 to 90 days	329	1,459	582	–
91 to 120 days	1	2,418	1,410	–
Over 120 days	44	420	1,448	–
	3,682	19,447	24,355	13,531

21 CASH AND CASH EQUIVALENTS

GSIT Group

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	8,742	23,070	35,095	48,263

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chinese Renminbi	4,764	18,493	31,001	41,199
Hong Kong Dollars	3,865	4,461	3,962	6,940
United States Dollars	106	106	117	118
New Taiwanese Dollars	7	10	15	6
	8,742	23,070	35,095	48,263

The GSIT Group's cash and cash equivalents are deposited with banks in Hong Kong and Mainland China. Cash at bank earns interest at floating rates based on daily bank deposit rates.

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

GSIT Company

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	280	182	176	146

Cash and cash equivalents were denominated in Hong Kong Dollars.

The GSIT Company's cash and cash equivalents are deposited with banks in Hong Kong. Cash at bank earns interest at floating rates based on daily bank deposit rates.

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

22 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2004, 2005 and 2006 and 31 August 2007 was as follows:

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	2,898	7,906	11,773	3,175
31 to 60 days	1,465	3,077	5,694	770
61 to 90 days	155	928	2,795	764
91 to 120 days	230	940	1,475	885
Over 120 days	588	3	5,433	2,261
	5,336	12,854	27,170	7,855

The carrying amounts of the trade payables approximated their fair values.

The GSIT Group's trade payables were denominated in the following currencies:

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chinese Renminbi	3,784	10,430	22,737	6,914
Hong Kong Dollars	1,552	2,424	1,769	935
Euros	–	–	2,471	–
Pound Sterling	–	–	193	6
	5,336	12,854	27,170	7,855

23 ACCRUALS AND OTHER PAYABLES

(a) GSIT Group

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Licence fees payables	–	12,465	11,539	8,696
Accruals and other payables	4,965	17,913	17,946	29,885
	4,965	30,378	29,485	38,581
Less non-current portion:				
Licence fees payables	–	(10,729)	(7,766)	(5,254)
	4,965	19,649	21,719	33,327

Licence fees payables were recognised based on discount rates equal to the GSIT Group's weighted average borrowing rate at 3.5% per annum at the date of acquisition of such obligations.

Licence fees payables were denominated in United States Dollars.

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

	Carrying amounts				Fair values			
	As at 31 December			As at 31 August	As at 31 December			As at 31 August
	2004	2005	2006	2007	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Licence fees payables	–	12,465	11,539	8,696	–	13,274	11,013	8,372

The fair values of licence fees payables are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

(b) GSIT Company

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other payables	3	3	3	6

24 BORROWINGS

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term bank borrowings	–	–	20,000	20,000

As at 31 December 2006, short-term bank borrowings were secured and bore interest at rates ranging from 5.3% per annum to 5.5% per annum. As at 31 August 2007, short-term bank borrowings were secured and bore interest at rates ranging from 5.5% per annum to 5.9% per annum, the then Hong Kong Interbank Offered Rate ("HIBOR") plus 1% per annum.

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

The GSIT Group's borrowings were denominated in Hong Kong Dollars.

Details of the GSIT Group's banking facilities are set out in Note 29.

25 DEFERRED INCOME TAX

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

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets:				
– Deferred income tax assets to be recovered after more than 12 months	1,943	5,585	9,424	11,793
– Deferred income tax assets to be recovered within 12 months	–	–	–	1,149
	1,943	5,585	9,424	12,942
Deferred tax liabilities:				
– Deferred income tax liabilities to be settled after more than 12 months	(502)	–	–	–
	1,441	5,585	9,424	12,942

The movements on the net deferred income tax assets accounts were as follows:

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	
				2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Beginning of the period/year	–	1,441	5,585	5,585	9,424
Recognised in the income statement (Note 11)	1,441	4,144	3,610	2,407	3,241
Exchange differences	–	–	229	–	277
End of the period/year	1,441	5,585	9,424	7,992	12,942

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

Deferred tax assets:

	Provision	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 10 November 2003 (date of incorporation)	–	–	–
Recognised in the income statement	–	1,943	1,943
At 31 December 2004	–	1,943	1,943
Recognised in the income statement	3,144	553	3,697
At 31 December 2005	3,144	2,496	5,640
Recognised in the income statement	2,593	1,099	3,692
Exchange differences	128	101	229
At 31 December 2006	5,865	3,696	9,561
Recognised in the income statement	(1,548)	4,865	3,317
Exchange differences	170	107	277
At 31 August 2007	4,487	8,668	13,155

Deferred tax liabilities:

	Accelerated tax depreciation *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 10 November 2003 (date of incorporation)	–	–	–
Recognised in the income statement	(41)	(461)	(502)
At 31 December 2004	(41)	(461)	(502)
Recognised in the income statement	(14)	461	447
At 31 December 2005	(55)	–	(55)
Recognised in the income statement	(82)	–	(82)
At 31 December 2006	(137)	–	(137)
Recognised in the income statement	(76)	–	(76)
At 31 August 2007	(213)	–	(213)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

The GSIT Group did not recognise deferred income tax assets of approximately HK$455,000, HK$1,875,000, HK$1,903,000 and HK$1,498,000 in respect of accumulated losses amounting to HK$1,380,000, HK$5,681,000, HK$5,768,000 and HK$5,991,000 as at 31 December 2004, 2005 and 2006 and 31 August 2007 respectively, that can be carried forward against future taxable profit.

The unrecognised tax losses will expire in the following years:

	As at 31 December			As at 31 August
	2004 *HK$'000*	**2005** *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
2010	1,380	1,425	1,379	1,431
2011	–	4,256	4,389	4,553
2012	–	–	–	7
	1,380	5,681	5,768	5,991

New Corporate Income Tax Law

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises from 15% to 25% with effect from 1 January 2008.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

As at 31 December 2004, 2005 and 2006 and 31 August 2007, the GSIT Group has deferred tax assets in the amount of HK$1,943,000, HK$5,640,000, HK$9,561,000 and HK$13,155,000, respectively. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provisions taken on inventory and receivables. As discussed in above, the State Council has yet to issue further detailed measures and regulations which could provide further opportunities for the GSIT Group to reduce its corporate income tax rate. Should the GSIT Group be eligible for additional tax incentives, every 1% reduction in tax rate would render a further write down of deferred tax asset in the amount of HK$74,000, HK$262,000, HK$338,000 and HK$353,000, respectively, as at 31 December 2004, 2005 and 2006 and 31 August 2007.

26 SHARE CAPITAL

	Note	Number of ordinary shares '000	Nominal value HK$'000
Authorised:			
Ordinary shares of HK$1 each			
At 10 November 2003 (date of incorporation)	*(i)*	10	10
At 31 December 2004, 2005 and 2006		10	10
Increase in authorised ordinary shares	*(ii)*	59,990	59,990
Increase in authorised ordinary shares	*(iii)*	100,000	100,000
At 31 August 2007		160,000	160,000
Issued and fully paid:			
Ordinary shares of HK$1 each			
At 10 November 2003 (date of incorporation)		–	–
Issue of new shares	*(i)*	–	–
At 31 December 2004, 2005 and 2006		–	–
Issue of new shares	*(ii)*	60,000	60,000
At 31 August 2007		60,000	60,000

Notes:

(i) Upon incorporation, the GSIT Company had an authorised capital of 10,000 ordinary shares of HK$1 each. On the same date, 2 ordinary shares were issued for cash at par to provide the GSIT Company with working capital.

(ii) Pursuant to an ordinary resolution of the GSIT Company passed on 27 March 2007, the authorised share capital of the GSIT Company was increased from HK$10,000 to HK$60,000,000 by the creation of 59,990,000 new ordinary shares of HK$1 each. These additional shares ranked pari passu with the existing shares of the GSIT Company. On the same date, 59,999,998 ordinary shares of the GSIT Company were alloted and issued as fully paid at a consideration of HK$59,999,998 to the then shareholders, Sunport Holdings Limited and Glorious Sun Trading (HK) Limited, by capitalisation of the amounts due to shareholders of HK$29,999,999 each.

(iii) Pursuant to an ordinary resolution of the GSIT Company passed on 29 August 2007, the authorised share capital of the GSIT Company was increased from HK$60,000,000 to HK$160,000,000 by the creation of 100,000,000 new ordinary shares of HK$1 each. These additional shares ranked pari passu with the existing shares of the GSIT Company.

27 RESERVES

(a) GSIT Group

	Translation	(Accumulated deficit)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 10 November 2003 (date of incorporation)	–	–	–
Loss for the period	–	(10,480)	(10,480)
Currency translation differences	(572)	–	(572)
Balance at 31 December 2004	(572)	(10,480)	(11,052)
Balance at 1 January 2005, as per above	(572)	(10,480)	(11,052)
Adjustment for adoption of HKAS 39	–	11,880	11,880
Balance at 1 January 2005, as restated	(572)	1,400	828
Loss for the year	–	(6,365)	(6,365)
Currency translation differences			
– the GSIT Group	2,891	–	2,891
– jointly controlled entities	(290)	–	(290)
Balance at 31 December 2005	2,029	(4,965)	(2,936)
Loss for the year	–	(13,134)	(13,134)
Currency translation differences			
– the GSIT Group	1,637	–	1,637
– jointly controlled entities	450	–	450
Balance at 31 December 2006	4,116	(18,099)	(13,983)
Loss for the period	–	(5,402)	(5,402)
Currency translation differences			
– the GSIT Group	1,413	–	1,413
– jointly controlled entities	629	–	629
Balance at 31 August 2007	6,158	(23,501)	(17,343)

Accumulated deficit consisted of:

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company and subsidiaries	(9,800)	(1,515)	(12,832)	(14,653)
Jointly controlled entities	(680)	(3,450)	(5,267)	(8,848)
	(10,480)	(4,965)	(18,099)	(23,501)

(b) GSIT Company

	Translation	(Accumulated deficit)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 10 November 2003 (date of incorporation)	–	–	–
Loss for the period	–	(41)	(41)
Balance at 31 December 2004	–	(41)	(41)
Balance at 1 January 2005, as per above	–	(41)	(41)
Adjustment for adoption of HKAS 39	–	2,542	2,542
Balance at 1 January 2005, as restated	–	2,501	2,501
Loss for the year	–	(1,053)	(1,053)
Currency translation differences	466	–	466
Balance at 31 December 2005	466	1,448	1,914
Loss for the year	–	(1,725)	(1,725)
Currency translation differences	33	–	33
Balance at 31 December 2006	499	(277)	222
Profit for the period	–	248	248
Currency translation differences	56	–	56
Balance at 31 August 2007	555	(29)	526

28 CONSOLIDATED CASH FLOW STATEMENTS

(a) Cash (used in)/generated from operations

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Loss for the period/year	(10,480)	(6,365)	(13,134)	(14,771)	(5,402)
Adjustments for:					
– Income tax	(1,441)	(135)	(943)	(629)	4,206
– Interest income	(14)	(787)	(831)	(456)	(1,164)
– Interest expense	72	3,093	5,506	2,725	5,533
– Share of loss of jointly controlled entities	680	2,770	1,817	3,358	3,581
– Depreciation of furniture and equipment	515	6,890	10,369	7,046	8,618
– Gain on disposal of a subsidiary	–	–	(127)	–	–
– Loss on disposals of furniture and equipment	–	896	803	3	396
– Amortisation of goodwill	3,905	–	–	–	–
– Amortisation of licence rights	–	2,240	3,614	2,014	2,251
– Provision for impairment of furniture and equipment	–	–	3,798	–	–
	(6,763)	8,602	10,872	(710)	18,019
Changes in working capital					
– (Increase)/Decrease in trade and other receivables	(3,282)	(15,646)	(2,274)	(149)	7,092
– Increase in inventories	(17,000)	(24,501)	(37,082)	(20,569)	(9,339)
– Increase in prepayments and deposits	(8,132)	(2,200)	(14,163)	(5,223)	(5,691)
– (Increase)/Decrease in amount due from a related company	–	(772)	(244)	–	681
– Increase/(Decrease) in trade payables	1,481	7,346	15,329	10,112	(20,330)
– Increase/(Decrease) in accruals and other payables	3,745	12,015	(3,407)	(18,088)	7,616
– Increase in amounts due to related companies	1,514	17,521	34,925	34,954	16,027
– (Decrease)/Increase in amount due to a jointly controlled entity	–	–	(4,366)	–	6,634
Cash (used in)/generated from operations	(28,437)	2,365	(410)	327	20,709

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

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Net book amount *(Note 14)*	–	970	2,026	3	396
Loss on disposals of furniture and equipment	–	(896)	(803)	(3)	(396)
Proceeds from disposals of furniture and equipment	–	74	1,223	–	–

(c) Details of the acquisitions of subsidiaries during the Relevant Periods were as follows:

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Cash at bank and on hand	2,766	–
Furniture and equipment	330	–
Inventories	328	–
Trade receivables, prepayments, deposits and other receivables	12,783	–
Trade payables, accruals and other payables	(5,075)	–
Due to related companies	(15,302)	(9)
Borrowings	(4,720)	–
Exchange differences	10	–
Net liabilities	(8,880)	(9)
Goodwill	18,024	9
	9,144	–
Satisfied by:		
Consideration for acquisition of shares of subsidiaries by way of increase in amount due to a shareholder	9,144	–
Analysis of the net cash generated from the acquisition of subsidiaries:		
Cash consideration paid	–	–
Cash at bank and on hand	2,766	–
Net cash generated from the acquisition of subsidiaries	2,766	–

(d) Details of the disposal of a subsidiary during the Relevant Periods were as follows:

	Year ended 31 December 2006 *HK$'000*
Cash at bank and on hand	6,231
Furniture and equipment	5,984
Inventories	4,420
Trade receivables, prepayments, deposits and other receivables	4,195
Due from fellow subsidiaries	9,575
Trade payables, accruals and other payables	(1,844)
Due to related companies	(53)
Net assets	28,508
Satisfied by:	
Consideration for disposal of interests in a subsidiary	28,761
Analysis of the net cash generated from the disposal of a subsidiary:	
Cash consideration received	28,761
Cash at bank and on hand disposed of	(6,231)
Net cash generated from the disposal of a subsidiary	22,530

(e) **Significant non-cash transaction**

During the year ended 31 December 2005, the GSIT Group capitalised the fixed minimum periodic payments to be made in relation to licence rights of approximately HK$14,251,000 as intangible assets, and recognised licence fees payables of approximately HK$13,689,000, the present value of the fixed minimum periodic payments at inception of such obligations.

(f) **Analysis of cash and cash equivalents:**

	As at 31 December			**As at 31 August**	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Cash and bank deposits	8,742	23,070	35,095	45,524	48,263

29 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 December 2006 and 31 August 2007, the GSIT Group had aggregate banking facilities of approximately HK$20,000,000 and HK$60,000,000, respectively, for overdrafts, bank loans and trade financing, of which approximately nil and HK$ 40,000,000, respectively, were unutilised as at the same date. These facilities were secured by:

(i) corporate guarantee provided by the GSIT Company;

(ii) the current assets of New Concepts Corporation Limited, a subsidiary, amounted to approximately HK$117,949,000 and HK$126,418,000 as at 31 December 2006 and 31 August 2007, respectively; and

(iii) the current assets of the GSIT Company amounted to approximately HK$7,076,000 and HK$7,046,000 as at 31 December 2006 and 31 August 2007, respectively.

In addition, the GSIT Group has agreed with certain banks to comply with certain restrictive financial covenants.

30 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

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

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	19,342	54,116	61,842	66,357
Later than one year and not later than five years	29,271	121,292	122,001	86,896
	48,613	175,408	183,843	153,253

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rent), 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.

(b) Contingent liabilities – litigation and claims

A claim was lodged against a subsidiary by a landlord in respect of unpaid operating lease rentals of approximately RMB4,374,000 (equivalent to HK$4,422,000). The subsidiary disclaimed the liability and is defending the action and lodging a claim against the landlord in respect of breach of lease agreements and impairment loss of furniture and equipment of approximately RMB7,772,000 (equivalent to HK$7,857,000). The directors are of the view that no material losses will arise in respect of the legal claim at the date of the Financial Information.

31 RELATED PARTY TRANSACTIONS

During the Relevant Periods, the GSIT Group was jointly controlled by:

(i) Sunport Holdings Company (incorporated in Hong Kong), which owns 50% of the GSIT Company's shares. Sunport Holdings Limited is indirectly wholly-owned by I.T Limited. I.T Limited is controlled by Mr. Sham Kar Wai and his wife, Mr. Sham Kin Wai and a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai; and

(ii) Glorious Sun Trading (HK) Limited (incorporated in Hong Kong), which owns 50% of the GSIT Company's shares. Glorious Sun Trading (HK) Limited is indirectly wholly-owned by Glorious Sun Enterprises Limited. Glorious Sun Enterprises Limited is controlled by Mr. Yeung Chun Kam, Mr. Yeung Chun Fan and Mr. Yeung Chun Ho.

(a) Details of significant transactions with related parties are:

	Period from 10 November 2003 (date of incorporation) to 31 December	Year ended 31 December	Year ended 31 December	Eight months ended 31 August	
	2004	**2005**	**2006**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Sales of fashion wears and accessories to					
– I.T Taiwan Limited+	12,556	21,731	24,879	18,295	4,895
– G.S Ventures (Macau) Limited#	–	4,162	5,324	4,406	1,686
Sales of shop materials to					
– I.T Taiwan Limited+	1,684	1,053	311	265	9
– G.S Ventures (Macau) Limited#	–	–	39	39	4
Management fee from					
– FCIT (China) Limited+	–	–	270	–	597
Management fee to					
– i.t apparels Limited#	–	–	1,412	956	912
– Glorious Sun Trading (HK) Limited*	–	–	720	480	480
Royalty fee to					
– Support Holdings Limited*	1,091	3,141	4,547	2,613	4,698
Purchases from					
– i.t apparels Limited#	9,793	42,067	65,385	46,957	61,703
– FCUK IT Company^	630	6,671	683	520	266
– French Connection Hong Kong Limitedø	–	–	5,678	3,753	6,302
Commission fee to					
– FCUK IT Company^	–	627	–	–	–
Interest expenses to					
– i.t apparels Limited#	–	–	2,370	1,056	2,839

Notes:

* Glorious Sun Trading (HK) Limited and Sunport Holdings Limited are the shareholders of the GSIT Company.

+ I.T Taiwan Limited and FCIT (China) Limited are jointly controlled entities of the GSIT Group.

G.S Ventures (Macau) Limited is a fellow subsidiary of Glorious Sun Trading (HK) Limited and i.t apparels Limited is a fellow subsidiary of Sunport Holdings Limited.

^ FCUK IT Company is a jointly controlled entity of I.T Limited, the ultimate holding company of Sunport Holdings Limited.

ø French Connection Hong Kong Limited is a shareholder of FCUK IT Company.

(b) Key management compensation:

	Period from 10 November 2003 (date of incorporation) to 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* Unaudited	*HK$'000*
Salaries and allowances	2,598	3,465	3,425	2,261	2,129
Pension costs – contributions to defined contribution plans	40	41	37	25	27
	2,638	3,506	3,462	2,286	2,156

(c) On 1 December 2003, the GSIT Company acquired the entire interests in New Concepts Corporation Limited, Income Team Consultancy (Shanghai) Limited and Kenchart Trading (Shanghai) Limited from I.T Limited, the ultimate holding company of a shareholder of the GSIT Company, at consideration of approximately HK$9,144,000.

(d) On 2 June 2005, the GSIT Company acquired the entire interests in Zoompac Limited from I.T Limited, the ultimate holding company of a shareholder of the GSIT Company, at nil consideration.

(e) On 14 September 2007, Kenchart Apparels (Shanghai) Limited, a subsidiary established in Mainland China, was sold to a jointly controlled entity, FCIT (China) Limited, at a consideration of approximately US$3,700,000 (equivalent to HK$28,761,000), and recorded a gain on disposal of approximately HK$127,000.

(f) Details of balances with related companies are as follows:

	As at 31 December 2004	As at 31 December 2005	As at 31 December 2006	As at 31 August 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name				
Due to related companies				
i.t apparels Limited	1,344	13,503	54,021	70,501
FCUK IT Company	170	1,090	176	–
French Connection Hong Kong Limited	–	4,500	365	2,127
	1,514	19,093	54,562	72,628
Due from a related company				
G.S Ventures (Macau) Limited	–	772	1,016	335

Amounts due to i.t apparels Limited were unsecured, interest-bearing at 5% per annum and repayable within 7 days.

The balances with FCUK IT Company, French Connection Hong Kong Limited and G.S Ventures (Macau) Limited were unsecured, non-interest bearing and repayable on demand.

Amounts due to related companies were denominated in Hong Kong Dollars.

Amounts due from a related company were denominated in the following currencies:

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Macau Patacas	–	753	1,002	328
Hong Kong Dollars	–	19	12	5
Chinese Renminbi	–	–	2	2
	–	772	1,016	335

(g) Due to shareholders – GSIT Group

	As at 31 December			As at 31 August
	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name				
Due to shareholders				
Glorious Sun Trading (HK) Limited				
– non-current	43,500	49,002	83,108	53,992
– current	–	20,000	720	1,200
	43,500	69,002	83,828	55,192
Sunport Holdings Limited				
– non-current	43,500	48,771	84,434	55,340
– current	–	20,000	7,903	12,601
	43,500	68,771	92,337	67,941
	87,000	137,773	176,165	123,133

The non-current portion of amounts due to shareholders of approximately HK$87,000,000, HK$97,773,000, HK$167,542,000 and HK$109,332,000 as at 31 December 2004, 2005 and 2006 and 31 August 2007 respectively, were unsecured, non-interest bearing and repayable in 2016. These amounts were carried at amortised cost using the effective interest rate of 3% per annum.

The current portion of amounts due to shareholders of approximately HK$40,000,000, HK$8,623,000 and HK$13,801,000 as at 31 December 2005 and 2006 and 31 August 2007 respectively, were unsecured, non-interest bearing and repayable on demand.

The carrying amounts and fair values of amounts due to shareholders were as follows:

	Carrying amounts				Fair values			
	As at 31 December			As at 31 August	As at 31 December			As at 31 August
	2004	2005	2006	2007	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to shareholders	87,000	137,773	176,165	123,133	67,667	133,031	157,198	103,001

The fair values of amounts due to shareholders are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

Amounts due to shareholders were denominated in Hong Kong Dollars.

(h) Due to shareholders – GSIT Company

	As at 31 December			As at 31 August
	2004	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name				
Due to shareholders				
Glorious Sun Trading (HK) Limited				
– non-current	43,500	49,002	83,108	53,992
– current	–	20,000	–	–
	43,500	69,002	83,108	53,992
Sunport Holdings Limited				
– non-current	43,500	48,771	84,434	55,340
– current	–	20,000	–	–
	43,500	68,771	84,434	55,340
	87,000	137,773	167,542	109,332

The non-current portion of amounts due to shareholders of approximately HK$87,000,000, HK$97,773,000, HK$167,542,000 and HK$109,332,000 as at 31 December 2004, 2005 and 2006 and 31 August 2007 respectively, were unsecured, non-interest bearing and repayable in 2016. These amounts were carried at amortised cost using the effective interest rate of 3% per annum.

The current portion of amounts due to shareholders of approximately HK$40,000,000 as at 31 December 2005 were unsecured, non-interest bearing and repayable on demand.

The carrying amounts and fair values of amounts due to shareholders were as follows:

	Carrying amounts				Fair values			
				As at				As at
	As at 31 December			31 August	As at 31 December			31 August
	2004	2005	2006	2007	2004	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to shareholders	87,000	137,773	167,542	109,332	67,667	133,031	148,575	89,200

The fair values of amounts due to shareholders are based on cash flows discounted using the rates of 3.0% per annum, 3.0% per annum, 5.5% per annum and 6.0% per annum at 31 December 2004, 2005 and 2006 and 31 August 2007, respectively.

Amounts due to shareholders were denominated in Hong Kong Dollars.

(i) During the year ended 31 December 2006, the GSIT Group sold furniture and equipment to certain jointly controlled entities amounting to approximately HK$5,984,000.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the GSIT Company and any of the companies in the GSIT Group in respect of any period subsequent to 31 August 2007. No dividend or distribution has been declared, made or paid by the GSIT Company or any of the companies in the GSIT Group in respect of any period subsequent to 31 August 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following are the unaudited profit and loss statements on the identifiable net income stream ("Identifiable Net Income Stream") in relation to the Nanjing Store Assets for the period from 1 September 2005 (date of establishment) to 31 December 2005, year ended 31 December 2006, eight months ended 31 August 2006 and 2007, and the Macau Store Assets for the period from 16 August 2005 (date of establishment) to 31 December 2005, year ended 31 December 2006, eight months ended 31 August 2006 and 2007, which are compiled and derived from the underlying books and records of the Stores Assets, and are prepared using accounting policies materially consistent with those of the Group.

(a) The Nanjing Store Assets

	Period from 1 September 2005 (date of establishment) to 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	248	6,339	3,755	4,755
Cost of sales	(120)	(4,098)	(2,748)	(2,817)
Rental expenses	(62)	(1,484)	(884)	(1,111)
Depreciation	–	(453)	(296)	(302)
Employee benefits	(37)	(392)	(245)	(268)
Identifiable Net Income Stream	29	(88)	(418)	257

(b) The Macau Store Assets

	Period from 16 August 2005 (date of establishment) to 31 December 2005	Year ended 31 December 2006	Eight months ended 31 August 2006	Eight months ended 31 August 2007
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Revenue	454	9,934	6,703	4,760
Cost of sales	(282)	(6,668)	(4,636)	(2,971)
Rental expenses	(767)	(2,094)	(1,425)	(1,366)
Depreciation	(5)	(650)	(438)	(377)
Employee benefits	(144)	(1,498)	(1,133)	(622)
Identifiable Net Income Stream	(744)	(976)	(929)	(576)

The Identifiable Net Income Stream above does not include allocation of unidentifiable expenses such as overhead expenses incurred by the companies which operate the Nanjing Store and the Macau Store. As such, it may not provide indication on the future operating results of the Nanjing Store and the Macau Store after the completion of the acquisition of the Stores Assets.

In accordance with paragraph 14.67(4)(b)(i) of the Listing Rules, the Directors of the Company engaged PricewaterhouseCoopers, the auditors of the Company to perform certain factual finding procedures on the compilation of the Identifiable Net Income Stream of the Nanjing Store and Macau Store in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by Hong Kong Institute of Certified Public Accountants. The auditors have agreed the Identifiable Net Income Stream to the underlying books and records of the Stores Assets which have taken into consideration of adjustments required in conformity with the principal accounting policies of the Group, and reported their factual findings based on the agreed-upon-procedures to the Directors of the Company. Since the agreed-upon-procedures were agreed by the Directors and auditors of the Company, they should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the Identifiable Net Income Stream has been properly compiled and derived from the underlying books and records of the Store Assets and prepared in accordance with the accounting policies materially consistent with the Group.

Set out below are the unaudited pro forma statement of assets and liabilities and statement of adjusted net tangible assets of the Enlarged Group which have been prepared based on the unaudited condensed consolidated balance sheet of the Group as set out in the published interim report for the six months ended 31 August 2007 after making pro forma adjustments.

The unaudited pro forma statement of assets and liabilities and statement of adjusted net tangible assets of the Enlarged Group have been prepared to illustrate the effects of the Acquisitions as if they had taken place on 31 August 2007. They have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position of the Enlarged Group had the proposed acquisitions been completed as at 31 August 2007 or at any future date.

I. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

		Pro forma adjustments				
	The Group as at 31 August 2007	**GSIT Group as at 31 August 2007**	**Store Assets as at 31 August 2007**	**Other pro forma adjustments**		**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
	Note 1	*Note 2*	*Note 3*			
ASSETS						
Non-current assets						
Furniture and equipment	94,399	52,401	3,326			150,126
Intangible assets	11,143	6,857		17,421	5	35,421
Goodwill	–	15,601		191,385	6	206,986
Investments in and amounts due from jointly controlled entities	81,799	8,121		(67,653)	7	22,267
Rental deposits	42,137	12,263	257			54,657
Deferred income tax assets	10,333	12,942				23,275
Other assets	4,330	–				4,330
	244,141	108,185				497,062
Current assets						
Inventories	226,770	84,389	5,814			316,973
Trade and other receivables, prepayments and deposits	113,431	45,111	23			158,565
Amounts due from jointly controlled entities	96,594	37,823		(96,594)	7	37,823
Amount due from a related company	–	335				335
Derivative financial instruments	1,355	–				1,355
Pledged bank deposits	750	–				750
Cash and cash equivalents	333,626	48,263		(100,000)	4	281,889
	772,526	215,921				797,690

		Pro forma adjustments				
	The Group as at 31 August 2007	GSIT Group as at 31 August 2007	Store Assets as at 31 August 2007	Other pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
	Note 1	*Note 2*	*Note 3*			
LIABILITIES						
Current liabilities						
Trade and bills payables	86,941	7,855				94,796
Accruals and other payables	74,423	33,327		2,882	4	110,632
Borrowings	3,102	20,000				23,102
Amounts due to jointly controlled entities	–	11,843				11,843
Amounts due to related companies	–	72,628		(70,501)	7	2,127
Amounts due to shareholders	–	13,801		(13,801)	7	–
Current income tax liabilities	27,944	7,409				35,353
	192,410	166,863				277,853
Net current assets	580,116	49,058				519,837
Total assets less current liabilities	824,257	157,243				1,016,899
Non-current liabilities						
Other payables	3,063	5,254				8,317
Amounts due to shareholders	–	109,332		(109,332)	7	–
Deferred income tax liabilities	328	–		4,355	5	4,683
	3,391	114,586				13,000
Net assets	820,866	42,657				1,003,899

Notes to the unaudited pro forma statement of assets and liabilities:

1. The balances are extracted from the unaudited condensed consolidated balance sheet of the Group as at 31 August 2007 set out in the published interim report for the six months ended 31 August 2007.

2. The balances are extracted from the audited consolidated balance sheet of GSIT Group as at 31 August 2007 set out in Appendix II to this circular.

3. The balances represent the unaudited net book values as at 31 August 2007 of all assets associated with the Nanjing Store and the Macau Store. For the purpose of the pro forma statement of assets and liabilities, the balances denominated in Renminbi ("RMB") or Macau pacatas ("MOP") have been translated into Hong Kong dollars ("HK$") at the following prevailing exchange rates as at 31 August 2007:

RMB1	=	HK$1.03
MOP1.05	=	HK$1

4. The adjustment reflects the settlement of the consideration for the Acquisitions, and the estimated directly attributable transaction costs of approximately HK$2,882,000.

   In accordance with the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement, the consideration for the Acquisitions will be satisfied by the Company in form of cash payment of HK$100,000,000, and Consideration Shares representing 9% of the enlarged share capital of the Company upon Completion.

   For the purpose of the pro forma financial information, the fair value of the Consideration Shares is approximately HK$183,033,000 based on 102,827,473 new Consideration Shares in issue at the market price of HK$1.78 per Share as adopted by the Company disclosed in the announcement of the Company dated 2 October 2007 which represents the closing price of the Company's share on 28 September 2007.

5. Upon Completion, the identifiable assets and liabilities of the GSIT Group and the Store Assets will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting.

   The identifiable assets and liabilities of the GSIT Group and the Store Assets are recorded in the unaudited pro forma consolidated balance sheet of the Enlarged Group at their fair values estimated by the directors of the Company with reference to the valuation performed by LCH (Asia- Pacific) Surveyors Limited as at 31 August 2007 for the purpose of purchase price allocation.

   The fair value adjustment represents the recognition of the exclusive distribution agreements and franchise contracts of approximately HK$17,421,000 and the corresponding estimated deferred tax liabilities of approximately HK$4,355,000.

6. The adjustment reflects the recognition of the goodwill of approximately HK$191,385,000 which represents the excess of the consideration for the Acquisitions as set out in note 4 above over the fair value of the identifiable assets and liabilities of GSIT Group and the Stores Assets including the deferred tax liabilities recognised as aforesaid.

   Since the fair value of the Consideration Shares at the Completion and the fair values of the identifiable assets and liabilities of GSIT Group and the Stores Assets at Completion may be substantially different from their fair values used in the pro forma financial information, the final amounts of goodwill may be different from amounts presented above.

7. The adjustments reflect the reclassification of the Group's investment cost in GSIT Group as part of the cost of investments in subsidiaries which is then eliminated on consolidation, and the elimination of balances within the Enlarged Group.

8. No adjustment has been made to reflect any trading result or other transactions of the Group, GSIT Group and the Stores Assets entered into subsequent to 31 August 2007.

II. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Unaudited net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2007	Unaudited net tangible assets of the Group per Share as at 31 August 2007	Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to equity holders of the Company as at 31 August 2007	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per Share as at 31 August 2007
HK$'000	*HK$*	*HK$'000*	*HK$*
Note 1	*Note 2*	*Note 3*	*Note 4*
809,723	0.78	761,492	0.67

Notes to the unaudited pro forma statement of adjusted net tangible assets:

1. The unaudited net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2007 is extracted from the unaudited condensed consolidated balance sheet of the Group as at 31 August 2007 set out in the published interim report for the six months ended 31 August 2007, which is based on unaudited consolidated net assets of the Group as at 31 August 2007 of HK$820,866,000 with an adjustment for the intangible assets as at 31 August 2007 of HK$11,143,000.

2. The number of shares used for the calculation of this figure is 1,039,700,000 shares of the Company as at 31 August 2007.

3. The unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to equity holders of the Company as at 31 August 2007 is extracted from the unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Section I, which is based on the unaudited pro forma adjusted net assets of the Enlarged Group attributable to equity holders of the Company as at 31 August 2007 of approximately HK$1,003,899,000 with adjustments of intangible assets and goodwill of approximately HK$35,421,000 and HK$206,986,000, respectively.

4. The number of shares used for the calculation of this figure is 1,142,527,473 shares, comprising the shares of the Company of 1,039,700,000 as at 31 August 2007 and the Consideration Shares of 102,827,473 to be issued to settle part of the cost of the acquisition.

5. No adjustments have been made to reflect any trading results of other transactions of the Group, GSIT Group and the Store Assets entered into subsequent to 31 August 2007.

III. REPORT FROM ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

22 November 2007

REPORT FROM ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF I.T LIMITED

We report on the unaudited pro forma financial information set out on pages 156 to 159 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix IV of the circular dated 22 November 2007 (the "Circular") of I.T Limited (the "Company"), in connection with the proposed acquisition of the remaining 50% interest in G.S-i.t Limited (the "GSIT Company") and all shareholder's loan advanced by Glorious Sun Trading (HK) Limited to the GSIT Company and the proposed acquisition of assets of the Nanjing Store and the Macau Store by the Company (collectively the "Transactions"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transactions might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 156 to 159 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted statement of assets and liabilities and statement of net tangible assets of the Group as at 31 August 2007 with the unaudited condensed consolidated interim balance sheet of the Group as at 31 August 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 August 2007 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of the results of the GSIT Group, which should be read in conjunction with the accountant's report on the GSIT Group set out in Appendix II to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GSIT GROUP

Financial results for the eight months ended 31 August 2007 and 2006

Revenue increased by 56.8% from HK$170.9 million for the eight months ended 31 August 2006 to HK$268.0 million for the eight months ended 31 August 2007. The substantial increase in revenue was mainly attributable to a rapid same store growth rate of 36.8%.

Gross profit margin increased slightly from 51.4% for the eight months ended 31 August 2006 to 51.6% for the eight months ended 31 August 2007. Gross profit increased by 57.7% from HK$87.8 million for the eight months ended 31 August 2006 to HK$138.4 million for the eight months ended 31 August 2007.

As GSIT Group started to benefit from the operational leverage, total operating expenses increased at a rate lower than revenue, by 35.0% from HK$97.5 million for the eight months ended 31 August 2006 to HK$131.7 million for the eight months ended 31 August 2007. Rental expense (including management fee) and staff cost as a percentage of revenue continued to decrease, to 23.7% and 12.7% respectively for the eight months ended 31 August 2007.

Net loss after tax attributable to shareholders decreased substantially from HK$14.8 million for the eight months ended 31 August 2006 to HK$5.4 million for the eight months ended 31 August 2007. In fact, most of the net loss for the eight months ended 31 August 2007 was mainly attributable to the share of loss of the joint venture in Taiwan. The GSIT Group reported a net profit before tax and share of results of jointly controlled entities (meaning the joint venture in Taiwan and the joint venture with French Connection Group plc) of HK$2.4 million for the eight months ended 31 August 2007.

Financial results for the year ended 31 December 2006 and 2005

Revenue increased by 55.2% from HK$192.3 million for the year ended 31 December 2005 to HK$298.5 million for the year ended 31 December 2006. The substantial increase in revenue was attributable to increase in number of self-managed managed stores from 64 as at 31 December 2005 to 108 as at 31 December 2006 (including FCUK) and number of franchised stores maintained as 52 as at 31 December 2005 (50 as at 31 December 2006) and a rapid same store growth rate of 37.9%.

Gross profit margin decreased lightly to 53.8% for the year ended 31 December 2006 from 55.0% for the year ended 31 December 2005. Gross profit increased by 51.6% from HK$105.8 million for the year ended 31 December 2005 to HK$160.5 million for the year ended 31 December 2006.

Due to rapid store expansion, total operating expenses increased by 56.8% from HK$107.3 million for the year ended 31 December 2005 to HK$168.2 million for the year ended 31 December 2006. As the scale of operation improved, GSIT Group enjoyed better efficiencies, and so rental expense (including management fee) and staff cost as a percentage of revenue decreased to 24.4% and 13.3% respectively (which compared with 26.6% and 14.2% for the year ended 31 December 2005 respectively).

As the total operating expenses increased at a rate faster than the revenue, net loss after tax attributable to shareholders increased from HK$6.4 million for the year ended 31 December 2005 to HK$13.1 million for the year ended 31 December 2006.

Financial results for the year ended 31 December 2005 and 2004

Revenue increased by 168.4% from HK$71.7 million for the year ended 31 December 2004 to HK$192.3 million for the year ended 31 December 2005. The substantial increase in revenue was attributable to increase in number of self-managed managed stores from 39 as at 31 December 2004 to 64 as at 31 December 2005 (including FCUK) and number of franchised stores from 50 as at 31 December 2004 to 52 as at 31 December 2005 (including FCUK). Besides, GSIT did not have a full year of operation in 2004 although the joint venture agreement between the Group and Glorious Sun was signed in November 2003. The first store was only opened in January 2004 after completion of the formation of the joint venture company and the WFOE (wholly foreign owned enterprise) in the PRC.

Gross profit margin improved significantly from 39.2% for the year ended 31 December 2004 to 55.0% for the year ended 31 December 2005 as a result of improved product mix and brand recognition after a year of operation in the PRC. Due to the substantial increase in revenue and substantial improvement in gross profit margin, gross profit increased by 277.0% from HK$28.1 million for the year ended 31 December 2004 to HK$105.8 million for the year ended 31 December 2005.

In line with the expansion, total operating expenses increased by 173.2% from HK$39.3 million for the year ended 31 December 2004 to HK$107.3 million for the year ended 31 December 2005. For the year ended 31 December 2005, the 2 biggest operating expense items – rental expense (including management fee) and staff cost – accounted for 26.6% and 14.2% of revenue respectively.

As GSIT was still at its initial stage of development in the PRC market, it was not profitable yet, but net loss after tax attributable to shareholders narrowed from HK$10.5 million for the year ended 31 December 2004 to HK$6.4 million for the year ended 31 December 2005.

Capital structure, financial resources and liquidity

As at 31 August 2007, the net assets attributable to equity holders of the GSIT Group was approximately HK$42.7 million (assuming shareholders' loans are liabilities). The GSIT Group had total borrowings of HK$20 million which represented bank loans a gearing ratio of 46.9% (total borrowings to net assets) and net cash of approximately HK$28.3 million as at 31 August 2007. In terms of liquidity, the net current assets as at 31 August 2007 amounted to HK$49.1 million with the current ratio at 1.3. The cash and bank balances amounted to HK$48.3 million.

As at 31 December 2006, the net deficit attributable to equity holders of the GSIT Group was approximately HK$14.0 million (assuming shareholders' loans are liabilities). The GSIT Group had total borrowings of HK$20 million which represented bank loans and net cash of approximately HK$15.1 million as at 31 December 2006. Given that the GSIT Group was net deficit as at 31 December 2006, there was no meaningful gearing ratio. In terms of liquidity, the net current assets as at 31 December 2006 amounted to HK$51.1 million with the current ratio at 1.4. The cash and bank balances amounted to HK$35.1 million.

As at 31 December 2005, the net deficit attributable to equity holders of the GSIT Group was approximately HK$2.9 million (assuming shareholders' loans are liabilities). The GSIT Group had no borrowings and so gearing ratio is 0% and net cash of approximately HK$23.1 million as at 31 December 2005. In terms of liquidity, the net current assets as at 31 December 2005 amounted to HK$11.1 million with the current ratio at 1.1. The cash and bank balances amounted to HK$23.1 million.

As at 31 December 2004, the net deficit attributable to equity holders of the GSIT Group was approximately HK$11.1 million (assuming shareholders' loans are liabilities). The GSIT Group had no borrowings and so gearing ratio is 0% and net cash of approximately HK$8.7 million as at 31 December 2004. In terms of liquidity, the net current assets as at 31 December 2004 amounted to HK$35.7 million with the current ratio at 4.0. The cash and bank balances amounted to HK$8.7 million.

Litigation

Save as the litigation as disclosed under item 7 "Litigation" on Appendix VI, the GSIT Group did not have any significant capital and financial commitments and other contingent liabilities as at 31 August 2007.

Staff

As at 31 August 2007, the GSIT Group employed about 1,100 staff in Hong Kong and the PRC. The remuneration policies are determined with reference to prevailing market practice on the basis of qualifications and experience of the individual employees and that the salaries are reviewed on an annual basis. Other benefits including retirement benefits scheme and medical insurance are provided to all eligible staff.

Others

Majority of the subsidiaries of the GSIT Group operates in Mainland China with most of the transactions denominated in Chinese Renminbi. The GSIT Group is exposed to foreign exchange risk arising from the exposure of Chinese Reminbi against Hong Kong Dollars. The policy of the companies is to closely monitor the currency and interest rate exposures and will hedge against such risks should the needs arise.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised		*HK$*
3,000,000,000	Shares of HK$0.10 each	300,000,000
Issued and fully paid		
1,040,460,000	Shares of HK$0.10 each	104,046,000

3. DISCLOSURE OF INTERESTS

Directors

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock

Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Directors' interests in the Shares

Director	**Capacity**	**Number of Shares held**	**Percentage of interest in the Company**
Mr. Sham Kar Wai	Interest in controlled company and beneficiary of trust *(Notes 1 and 2)*	672,075,000	64.60%
Mr. Sham Kin Wai	Interest in controlled company and beneficiary of trust *(Notes 2 and 3)*	672,075,000	64.60%
Dr. Lo Wing Yan, William	Direct	800,000	0.08%

Notes:

(1) Mr. Sham Kar Wai holds 25% of the issued share capital of 3WH Limited. Ms. 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 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. As such, 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.

(ii) Directors' interests in the associated corporations of the Company

Director	Name of associated corporations	Capacity	Approximate percentage of shareholding
Mr. Sham Kar Wai	3WH Limited	Beneficiary 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%
	Yong Ranger Investment Limited	Interests in controlled company	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%
Mr. Sham Kin Wai	3WH Limited	Beneficiary 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%
	Yong 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 the Latest Practicable Date.

(iii) Directors' interests in options/ underlying shares granted by the Company

Director	Date of grant	Exercise period	Exercise price per share *HK$*	Number of share options As at 1 March 2007	Held as at the Latest Practicable Date
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
				6,000,000	10,000,000

Save as disclosed in this circular, so far as was known to any Director as at the Latest Practicable Date, none of the Directors had any interest or short position in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at the Latest Practicable Date, so far as was known to any Director, the following persons had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of Shares held	Percentage of interest in the Company
Arisaig Greater China Fund Limited	Beneficial owner	96,132,000	9.24%
Arisaig Partners (Mauritius) Ltd *(Note 1)*	Interest in corporation	96,132,000	9.24%
Lindsay William Ernest Cooper *(Note 2)*	Interest in corporation	96,132,000	9.24%
3WH Limited	Beneficial owner	336,037,500	32.30%
Effective Convey Limited *(Note 3)*	Beneficial owner	336,037,500	32.30%
Dynamic Vitality Limited *(Note 3)*	Interest in corporation	336,037,500	32.30%
The ABS 2000 Trust *(Notes 3 and 4)*	Interest in corporation	336,037,500	32.30%
HSBC International Trustee Limited *(Note 4)*	Interest in corporation	336,187,500	32.31%

Notes:

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

(2) Mr. Lindsay William Ernest Cooper is deemed to be interested in the Shares held by Arisaig Greater China Fund through his indirect 33.33% interest in Arisaig Partners (Mauritius) Ltd.

(3) 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 to be interested in the Shares held by Effective Convey Limited.

(4) 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.

Save as disclosed in this circular, the Directors are not aware of any person as at the Latest Practicable Date who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group other than the Company, or any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESS

So far as the Directors are aware and, save as disclosed in this circular, as at the Latest Practicable Date:

(i) None of the Directors had any direct or indirect interests in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 28 February 2007, being the date to which the latest published audited financial statements of the Group were made up;

(ii) None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and

(iii) None of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete either directly or indirectly with the business of the Group, or have or may have any other conflicts of interest with the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(i) the GSIT Acquisition Agreement; and

(ii) the Stores Assets Acquisition Agreement.

6. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or is proposing to enter into any service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and in litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group, save as disclosed below:–

On 21 May 2007, landlord of Joffer 688 ("Joffer 688 Landlord"), Shanghai, PRC issued a court writ against Zoompac Shanghai Limited ("Zoompac"), an indirect wholly owned subsidiary of the GSIT Group, for damages allegedly caused by termination of a lease and an advertising billboard lease. On 23 July 2007, Zoompac filed a counterclaim against Joffer 688 Landlord for its breach of the lease and the advertising billboard lease, refund of deposit and other damages in the total sum of RMB7,772,000 and costs. On 8 August 2007, Joffer 688 Landlord discontinued partial of its claim. Hence, the net amount claimed was RMB4,374,000. Hearing was heard on 11 September 2007. The court has not rendered a ruling as at the Latest Practicable Date but invited both parties to go through out-of-court settlement which is now being processed. The GSIT Group believes that Zoompac has meritorious defenses and intends to continue to proceed with the actions vigorously should the out-of-court settlement fail.

8. EXPERT AND CONSENT

The following are the qualification of the experts who have provided their opinion or advice which are contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Yu Ming	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Each of PricewaterhouseCoopers and Yu Ming has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and letters and the reference to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, neither PricewaterhouseCoopers nor Yu Ming had any shareholding interests in any member of the Group or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 28 February 2007, being the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

(i) The company secretary of the Company is Ms. Ho Suk Han, Sophia. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(ii) The qualified accountant of the Company is Mr. Kwong Kwok Yu. He is a Fellow Member of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Institute of Certified Public Accountants.

(iii) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company at 31st Floor, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong during normal business hours of any business day up to 7 December 2007:

(i) the GSIT Acquisition Agreement;

(ii) the Stores Assets Acquisition Agreement;

(iii) the memorandum of association and bye-laws of the Company;

(iv) the Letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;

(v) the Letter from Yu Ming, the text of which is set out on pages 18 to 24 of this circular;

(vi) the published audited consolidated financial statements of the Company for each of the two financial years ended 28 February 2007 and 2006;

(vii) the interim report of the Company for the six months ended 31 August 2007;

(viii) the accountant's report on the GSIT Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(ix) the report from PricewaterhouseCoopers on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(x) the written consent from each of PricewaterhouseCoopers and Yu Ming as referred to in the paragraph headed "Expert and Consent" in this appendix; and

(xi) each of the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix.