I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2009

- Total revenue of the Group increased by 35.2% to HK$2,733.3 million.
- Total retail sales in Hong Kong increased by 13.4% to HK$2,005.9 million, and comparable store sales increased by 4.5%.
- Total retail sales in China increased by 44.3% to HK$578.1 million, and comparable store sales increased by 23.6%.
- EBITDA of the Group decreased by 9.4% to HK$249.8 million.
- Total net profit of the Group decreased by 75.1% to HK$42.6 million. Excluding the impairment of goodwill and non-cash share option expenses, total net profit of the Group would have been decreased by 27.7% to HK$124.5 million.

The board of directors (the "Board") of I.T Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2009, prepared on the basis set out in Note 1, together with the comparative figures for the year ended 29 February 2008, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2009

	Note	**Year ended 28 February 2009** *HK$'000*	Year ended 29 February 2008 *HK$'000*
Turnover	*2*	**2,733,256**	2,021,283
Cost of sales	*4*	**(1,121,570)**	(819,423)
Gross profit		**1,611,686**	1,201,860
Other (losses)/gains	*3*	**(11,123)**	1,900
Impairment of goodwill		**(59,569)**	–
Operating expenses	*4*	**(1,468,877)**	(1,002,046)
Operating profit		**72,117**	201,714
Finance income, net	*5*	**2,786**	13,590
Share of profit/(loss) of jointly controlled entities		**3,948**	(4,828)
Profit before income tax		**78,851**	210,476
Income tax expense	*6*	**(36,296)**	(39,505)
Profit for the year		**42,555**	170,971
Earnings per share for profit for the year (expressed in HK$ per share)			
– basic	*7*	**HK$0.04**	HK$0.16
– diluted	*7*	**HK$0.04**	HK$0.16
Dividends	*8*	**–**	119,982

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2009

	Note	**As at 28 February 2009** *HK$'000*	As at 29 February 2008 *HK$'000*
ASSETS			
Non-current assets			
Furniture and equipment		**229,124**	179,850
Intangible assets		**267,633**	317,928
Investments in and amounts due from jointly controlled entities		**32,564**	21,974
Rental deposits		**91,065**	77,424
Deferred income tax assets		**32,211**	24,412
		652,597	621,588
Current assets			
Inventories		**411,145**	323,724
Trade and other receivables	*9*	**67,289**	39,645
Amount due from jointly controlled entities		**27,323**	41,080
Prepayments and other deposits		**104,011**	98,920
Derivative financial instruments		**–**	2,539
Pledged bank deposits		**750**	750
Cash and cash equivalents		**441,264**	424,173
		1,051,782	930,831
LIABILITIES			
Current liabilities			
Bank borrowings	*11*	**(47,400)**	(10,000)
Trade and bill payables	*10*	**(155,993)**	(121,840)
Accruals and other payables		**(135,677)**	(140,200)
Amount due to a jointly controlled entity		**(9,206)**	(15,583)
Derivative financial instruments		**(3,452)**	–
Current income tax liabilities		**(24,261)**	(30,510)
		(375,989)	(318,133)
Net current assets		**675,793**	612,698
Total assets less current liabilities		**1,328,390**	1,234,286
Non-current liabilities			
Bank borrowings	*11*	**(82,600)**	–
Other payables		**(30,136)**	(8,925)
Deferred income tax liabilities		**(3,945)**	(4,524)
		(116,681)	(13,449)
Net assets		**1,211,709**	1,220,837
EQUITY			
Capital and reserves			
Share capital		**115,504**	115,468
Reserves		**1,096,205**	1,105,369
Total equity		**1,211,709**	1,220,837

NOTES:

1. Principal accounting policies

Basis of preparation

The 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.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(a) The following new amendments to existing standards are mandatory for the accounting periods beginning on or after 1 March 2008 but are not relevant to the Group's operations:

- HKAS 39 and HKFRS 7 (Amendments) — Financial Instruments: Recognition and Measurement – Reclassification of Financial Assets
- HK(IFRIC) – Int 12 — Service Concession Arrangements
- HK(IFRIC) – Int 14 — HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

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

- HKAS 1 (Revised) — Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009)
- HKAS 23 (Revised) — Borrowing Costs (effective for annual period beginning on or after 1 January 2009)
- HKAS 27 (Revised) — Consolidated and Separate Financial Statements (effective for annual period beginning on or after 1 July 2009)
- HKAS 32 and HKAS 1 (Amendments) — Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual period beginning on or after 1 January 2009)
- HKAS 39 (Amendment) — Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual period beginning on or after 1 July 2009)
- HKFRS 3 (Revised) — Business Combinations (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009)
- HKFRS 8 — Operating Segments (effective for annual period beginning on or after 1 January 2009)
- HK(IFRIC) – Int 13 — Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008)
- HK(IFRIC) – Int 15 — Agreements for the Construction of Real Estate (effective for annual period beginning on or after 1 January 2009)

- HK(IFRIC) – Int 16 — Hedges of a Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008)
- HK(IFRIC) – Int 17 — Distributions of Non-cash Assets to Owners (effective for annual period beginning on or after 1 July 2009)
- HK(IFRIC) – Int 18 — Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009)

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the financial statements for the year ended 28 February 2009. The Group will apply the above new standards, amendments and interpretations when they become effective. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

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

2 Turnover and segment information

(a) Analysis of revenue by category

	Year ended 28 February 2009 *HK$'000*	Year ended 29 February 2008 *HK$'000*
Turnover		
– Sales of fashion wears and accessories	**2,733,256**	2,017,817
– Royalty income	**–**	3,466
	2,733,256	2,021,283

(b) *Segment information*

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

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

	Year ended 28 February 2009	Year ended 29 February 2008
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**2,011,685**	1,840,563
Mainland China	**636,844**	162,338
Taiwan	**28,297**	–
Others	**56,430**	18,382
	2,733,256	2,021,283

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

	As at 28 February 2009	As at 29 February 2008
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**809,538**	852,381
Mainland China	**756,358**	631,359
Taiwan	**15,986**	28,339
Others	**65,901**	10,410
	1,647,783	1,522,489
Jointly controlled entities	**24,385**	5,518
Unallocated assets	**32,211**	24,412
	1,704,379	1,552,419

Segment assets consist primarily of furniture and equipment, intangible assets, inventories, trade and other receivables, prepayment and other deposits, pledged bank deposits and cash and cash equivalents. Unallocated assets comprise deferred taxation. Total assets are allocated based on where the assets are located.

	Year ended 28 February 2009 HK$'000	Year ended 29 February 2008 HK$'000
Capital expenditure		
Hong Kong	**66,136**	86,641
Mainland China	**43,888**	362,972
Taiwan	**6,889**	–
Others	**49,664**	1,880
	166,577	451,493

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

3 Other (losses)/gains

	Year ended 28 February 2009 HK$'000	Year ended 29 February 2008 HK$'000
Derivative financial instruments, at market value – forward foreign exchange contracts	**(11,123)**	1,900

4 Expenses by nature

	Year ended 28 February 2009 *HK$'000*	Year ended 29 February 2008 *HK$'000*
Cost of inventories sold	**1,108,831**	812,888
Write-downs of inventories to net realisable value	**25,258**	5,027
Employment costs (including directors' emoluments)	**499,765**	363,870
Operating lease rentals of premises		
– minimum lease payments	**534,266**	341,191
– contingent rents	**28,607**	32,399
Advertising and promotion costs	**52,566**	26,115
Depreciation of furniture and equipment	**102,135**	65,396
Loss on disposals of furniture and equipment	**6,016**	3,649
Licence fees (included in operating expenses)		
– amortisation of licence rights	**6,849**	8,186
– write off of licence rights	**7,478**	–
– contingent licence fees	**4,226**	4,759
Amortisation of trademark, franchise contracts and distribution agreements (included in operating expenses)	**1,644**	443
Provision for impairment of receivables	**1,022**	450
Provision for impairment of amount due from a jointly controlled entity	**1,353**	–
Auditor's remuneration	**2,810**	2,540
Net exchange gains	**(38,555)**	(18,082)
Other expenses	**246,176**	172,638
Total	**2,590,447**	1,821,469
Representing:		
Cost of sales	**1,121,570**	819,423
Operating expenses	**1,468,877**	1,002,046
	2,590,447	1,821,469

5 Finance income, net

	Year ended 28 February 2009 HK$'000	Year ended 29 February 2008 HK$'000
Interest income from		
– bank deposits	**1,724**	8,810
– amounts due from jointly controlled entities (i)	**391**	2,902
– others (i)	**4,090**	2,705
Finance income	**6,205**	14,417
Interest expense on		
– bank borrowings wholly repayable within five years	**(2,694)**	(312)
– licence fees payable (i)	**(725)**	(515)
Finance costs	**(3,419)**	(827)
Net finance income	**2,786**	13,590

Note:

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

6 Income tax expense

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

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 29 February 2008: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") on 16 March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6 December 2007. According to the CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. For the region that enjoys a reduced income tax rate at 15%, the income tax rate is gradually increased to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term continue to enjoy such treatment until the fixed term expires.

Mainland China enterprise income tax has been provided at the applicable rates ranging from 18% to 25% (year ended 29 February 2008: ranging from 15% to 33%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 25% (year ended 29 February 2008: Nil) on the estimated assessable profits of the Group's operations in Taiwan.

Macau Complementary (Corporate) Tax has been provided at a fixed rate of 9% on the estimated assessable profit in excess of HK$196,000 (approximately MOP200,000) and below HK$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK$295,000 (approximately MOP300,000).

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

	Year ended 28 February 2009	Year ended 29 February 2008
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**32,050**	36,706
– Mainland China enterprise income tax	**12,496**	3,522
– Overseas taxation	**–**	25
– Overprovision in prior year	**(239)**	–
Deferred income tax	**(8,011)**	(748)
	36,296	39,505

7 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.

	Year ended 28 February 2009	Year ended 29 February 2008
Profit attributable to equity holders of the Company *(HK$'000)*	**42,555**	170,971
Weighted average number of ordinary shares in issue *('000)*	**1,154,963**	1,067,856
Basic earnings per share *(HK$)*	**0.04**	0.16

Diluted

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

	Year ended 28 February 2009	Year ended 29 February 2008
Profit attributable to equity holders of the Company *(HK$'000)*	**42,555**	170,971
Weighted average number of ordinary shares in issue *('000)*	**1,154,963**	1,067,856
Adjustments for share options *('000)*	**–***	6,311
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,154,963**	1,074,167
Diluted earnings per share *(HK$)*	**0.04**	0.16

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

8 Dividends

	Year ended 28 February 2009 *HK$'000*	Year ended 29 February 2008 *HK$'000*
Interim, paid, of Nil (year ended 29 February 2008: HK2.1 cents) per ordinary share	**–**	21,834
Final, proposed, of Nil (year ended 29 February 2008: HK8.5 cents) per ordinary share	**–**	98,148
	–	119,982

The dividends paid in the year ended 28 February 2009 and year ended 29 February 2008 were HK$98,178,000 (HK8.5 cents per share for final dividend in 2008) and HK$73,819,000 (HK5.0 cents per share for final dividend in 2007 and HK2.1 cents per share for interim dividend in 2008), respectively. The Directors do not recommend the payment of a final dividend for the year ended 28 February 2009 (year ended 29 February 2008: HK8.5 cents) and propose that the profit for the year ended 28 February 2009 be retained.

9 Trade and other receivables

	As at 28 February 2009 *HK$'000*	As at 29 February 2008 *HK$'000*
Trade receivables	**59,448**	28,204
Less: provision for impairment of receivables	**(361)**	(343)
Trade receivables, net	**59,087**	27,861
Other receivables	**27,316**	28,618
Less: provision for impairment of receivables	**(19,114)**	(16,834)
Other receivables, net	**8,202**	11,784
Trade and other receivables	**67,289**	39,645

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

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

The ageing analysis of trade receivables is as follows:

	As at 28 February 2009 *HK$'000*	As at 29 February 2008 *HK$'000*
0 to 30 days	**56,223**	19,979
31 to 60 days	**2,749**	7,858
61 to 90 days	**4**	7
Over 90 days	**111**	17
	59,087	27,861

10 Trade and bill payables

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

	As at 28 February 2009	As at 29 February 2008
	HK$'000	*HK$'000*
0 to 30 days	**113,722**	86,130
31 to 60 days	**23,287**	15,037
61 to 90 days	**7,648**	2,972
91 to 180 days	**8,590**	8,090
181 to 365 days	**1,666**	8,501
Over 365 days	**1,080**	1,110
	155,993	121,840

11 Borrowings

	As at 28 February 2009	As at 29 February 2008
	HK$'000	*HK$'000*
Non-current bank borrowings	**82,600**	–
Current bank borrowings	**47,400**	10,000
	130,000	10,000

The maturity of bank borrowings is as follows:

	As at 28 February 2009	As at 29 February 2008
	HK$'000	*HK$'000*
Within 1 year	**47,400**	10,000
Between 1 and 2 years	**47,400**	–
Between 2 and 5 years	**35,200**	–
	130,000	10,000

As at 28 February 2009, bank borrowings are secured and bear interest ranging from 3-months Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum to 1-month HIBOR plus 1.6% per annum (29 February 2008: HIBOR plus 1.0% per annum).

The carrying amounts of bank borrowings approximate their fair values.

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

12 Business combination

On 1 March 2008, the Group acquired the remaining 49% of the equity interest in Top Alliance Enterprises Limited, a then jointly controlled entity of the Group, at a cash consideration of HK$1,780,000. The acquired business contributed revenues of HK$28,297,000 and net profit of HK$3,407,000 to the Group for the period from 1 March 2008 to 28 February 2009.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid	1,780
Fair value of net liabilities acquired	18,622
Investment in a jointly controlled entity disposed of	(16,078)
Goodwill	4,324

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 28 February 2009 (year ended 29 February 2008: HK8.5 cents) and proposes that the profit for the year ended 28 February 2009 be retained.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) Group

Total revenue of the Group increased by 35.2% to HK$2,733.3 million (year ended 29 February 2008: HK$2,021.3 million), due to the growth in the retail sales of each of the markets the Group covers. It should be noted that for the year ended 29 February 2008, the results of the ex-China joint venture were equity accounted for as a jointly controlled entity until 28 November 2007, while for the entire financial year ended 28 February 2009, the results of our China operation were consolidated in the Group's financial statements.

For the year ended 28 February 2009, Hong Kong remains the key revenue contributor, accounting for 75.6% of the total retail sales of the Group, while Mainland China accounted for 21.8% of the total retail sales of the Group and its importance is increasing.

Breakdown of retail sales by location:

Hong Kong	75.6%
Mainland China	21.8%
Taiwan	1.1%
Macau	1.5%
	100.0%

While international brands grew faster than in-house brands in Hong Kong, the phenomenon is reversed in the Mainland China. For the Group as a whole including operation in Taiwan and Macau, in-house brands and international brands made the same contribution of 47.7% to the Group's total retail sales for the year ended 28 February 2009.

Breakdown of retail sales by brand category:

In-house brands	47.7%
International brands	47.7%
Licensed brands	4.6%
	100.0%

Gross profit margin decreased slightly from 59.5% for the year ended 29 February 2008 to 59.0% for the year ended 28 February 2009 as a result of deeper discount being offered in the second half and full year consolidation of our Mainland China business which generally has a lower gross profit margin than our core business in Hong Kong.

Total operating expenses increased by 46.6% to HK$1,468.9 million (year ended 29 February 2008: HK$1,002.0 million). Total rental expenses (including management fee, rates and government rent) as a percentage of total revenue increased from 21.5% for the year ended 29 February 2008 to 23.6% for the year ended 28 February 2009. Following the streamlining of headquarter staff, we managed to control the total staff cost (excluding share option expenses) as a percentage of total revenue at 17.5% (year ended 29 February 2008: 18.0%). Although we have adjusted the advertising and promotion budget since the outbreak of the financial crisis, as a percentage of total revenue, it still increased slightly from 1.3% for the year ended 29 February 2008 to 1.9% for the year ended 28 February 2009.

Setting aside the effect of the full year consolidation of our Mainland China business on the Group's cost structure, the net profit was affected by significant jump in a few cost items – HK$21.1 million increase in share option expenses, HK$26.5 million increase in advertising and promotion expenses and HK$59.6 million impairment of goodwill (which arose from the acquisition of ex-China joint venture). Net profit of the Group decreased by 75.1% to HK$42.6 million (year ended 29 February 2008: HK$171.0 million).

Despite the worldwide financial crisis, the Company is encouraged to see that the fundamental business of the Group remains profitable. For the year ended 28 February 2009, the Group reported operating profit of HK$72.1 million (year ended 29 February 2008: HK$201.7 million) representing a decrease of 64.3%, and EBITDA of HK$249.8 million (year ended 29 February 2008: HK$275.7 million) representing a decrease of 9.4%. If the HK$59.6 million impairment of goodwill and HK$22.5 million share option expenses were excluded, the Group would have reported net profit of HK$124.5 million representing a decrease of 27.7%.

(b) Hong Kong

Sales from retail operation increased by 13.4% to HK$2,005.9 million (year ended 29 February 2008: HK$1,769.1 million) at an overall comparable store sales growth rate of 4.5%. Gross profit margin of retail operation inevitably decreased, by 1.6% points from 62.1% for the year ended 29 February 2008 to 60.5% for the year ended 28 February 2009, because deeper discount was offered in the second half to boost consumption in view of the low purchasing sentiment.

As international brands grew slightly faster than in-house brands, international brands regained its dominant position as the main revenue contributor, accounting for 47.7% of the total retail sales. In-house brands came close, and contributed 47.3% of the total retail sales.

Rental expenses (including management fee, rates and government rent) as a percentage of total revenue increased from 21.4% for the year ended 29 February 2008 to 22.3% for the year ended 28 February 2009. In view of the financial crisis, the Management responded swiftly by taking appropriate measures to control the costs, including streamlining the headquarter staffs, and adjusting advertising budget for the second half. Excluding share option expenses, staff cost was maintained at 18.7% of total revenue (year ended 29 February 2008: 18.7%). As a result, we managed to maintain the operating profit at the same level if share option expenses are excluded. On a higher revenue base, operating margin (excluding share option expenses) dropped from 9.4% for the year ended 29 February 2008 to 8.3% for the year ended 28 February 2009.

(c) *Mainland China*

Sales from retail operation increased by 44.3% to HK$578.1 million (year ended 29 February 2008: HK$400.7 million, including HK$263.0 million sales from a former jointly controlled entity, I.T China Limited (formerly known as G.S – i.t Limited) from 1 March 2007 to 28 November 2007) at an overall comparable store sales growth rate of 23.6%. Due to increased proportion of contribution from in-house brands, despite deeper discount, gross profit margin of retail operation increased, by 0.8% points from 54.5% for the year ended 29 February 2008 to 55.3% for the year ended 28 February 2009.

International brands continued to be the key revenue contributor, accounting for 52.5% of the total retail sales, and in-house brands contributed 44.0% of the total retail sales. This continues to explain for the lower gross profit margin of our Mainland China operation as compared to our Hong Kong operation.

Rental expenses (including management fee) accounted for 25.3% of total revenue, which was higher than our Hong Kong operation as a result of lower revenue base. As a lot of back-office functions such as merchandising, product design are provided by the team in Hong Kong, the staff cost as a percentage of total revenue was lower than Hong Kong and the staff cost accounted for 13.6% of total revenue.

Mainland China stands out to be one of the very few governments to have sufficient reserves to support the economic growth and the financial crisis presents a good opportunity to increase its influence in the world map financially and politically. We remain optimistic about the long term prospect of this market, and so we invested substantial resources to lay a stronger foundation. However, the Mainland China market is not entirely intact from the global downturn, and its export was hit hardly. This led to below expectation performance of our Mainland China operation, causing the impairment of the goodwill arising from the acquisition of our ex-China joint venture. For the year ended 28 February 2009, our Mainland China business turned into a slight loss.

(d) Others

Taiwan operation reported a remarkable 24.0% comparable store sales growth rate and was slightly profitable for the year ended 28 February 2009. The layoff by casinos and the restrictive travel policy imposed by the Beijing Government continued to cloud our business in Macau.

Outside Greater China, two 5cm stores were opened in Melbourne, Australia as planned. In total, we had 19 franchised stores in Saudi Arabia, Thailand and Australia. Our French partner Galeries Lafayette is opening four http://www.izzue.com stores in France and we are also opening the Philippines market as well.

Share of Results of Jointly Controlled Entities

Results of jointly controlled entities for the year ended 29 February 2008 included share of results of our ex-China joint venture up to 28 November 2007, and during such period of time our ex-China joint venture was losing money. While business of the joint venture with French Connection Group plc in Hong Kong was fairly stable, the completion of the buyout of our ex-China joint venture was the key reason for the improvement of share of results of joint controlled entities for the year ended 28 February 2009 as compared to the year ended 29 February 2008.

Cash Flows

Operating cash-flow inflow decreased from HK$243.9 million for the year ended 29 February 2008 to HK$151.4 million for the year ended 28 February 2009 because of the increase in the ending inventory and trade receivables level. Net cash used in investing activities comprising mainly acquisition of furniture and equipment was HK$169.8 million (year ended 29 February 2008: HK$110.3 million). As a result of raising HK$130.0 million bank loans in the second half, net cash used in financing activities of HK$76.5 million for the year ended 29 February 2008 was turned into net cash generated from financing activities of HK$22.7 million for the year ended 28 February 2009.

Inventory

As a result of our swift response to the economic downturn, we managed to maintain the inventory turnover days at 119.6 days for the year ended 28 February 2009 (year ended 29 February 2008: 116.1 days).

Liquidity and Capital Resources

As at 28 February 2009, total cash and bank balances amounted to HK$442.0 million (29 February 2008: HK$424.9 million) and the total liabilities were HK$492.7 million (29 February 2008: HK$331.6 million). As at 28 February 2009, shareholders' equity was HK$1,211.7 million (29 February 2008: HK$1,220.8 million).

As at 28 February 2009, the Group had aggregate banking facilities of approximately HK$525.0 million (29 February 2008: HK$448.5 million) for overdrafts, bank loans and trade financing, of which approximately HK$270.7 million (29 February 2008: HK$336.5 million) was unutilised. These facilities are secured by the Group's bank deposits of HK$750,000 (29 February 2008: HK$750,000); and corporate guarantees provided by the Company and certain subsidiaries. The Group had HK$130.0 million long term bank borrowings as at 28 February 2009 (29 February 2008: short-term borrowing HK$10.0 million). The current ratio as at 28 February 2009 was 2.8 (29 February 2008: 2.9) and the gearing was 10.7% (29 February 2008: 0.8%) based on shareholders' equity.

Contingent liabilities

As at 28 February 2009, the Group did not have significant contingent liabilities (29 February 2008: nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward foreign exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. As at 28 February 2009, the notional amounts of outstanding forward foreign exchange contracts to buy Euros and Sterling Pounds for hedging against foreign exchange risk exposure relating to firm purchase order of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK$66.9 million (29 February 2008: HK$31.6 million).

Business Combination

On 1 March 2008, the Group acquired the remaining 49% of the equity interest in Top Alliance Enterprises Limited, a then jointly controlled entity of the Group for business in Taiwan, at a cash consideration of approximately HK$1.8 million.

After accounting for the fair value of identifiable net liabilities acquired of approximately HK$18.6 million and the disposal of investment in a jointly controlled entity of approximately HK$16.1 million resulting from the acquisition, the goodwill arisen amounted to approximately HK$4.3 million.

Use of Proceeds

As at 1 March 2008, the utilised proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK$82.7 million for the expansion of retail network in the Greater China. The said proceeds were fully utilised in the expanding the retail network in Greater China during the year ended 28 February 2009.

Employment, training and Development

The Company had a total of 3,286 employees as at 28 February 2009 (29 February 2008: 2,912). Training and development courses were regularly organised for employees to enhance both of their specialised technical and product knowledge as well as marketing and sales to general business management skills. The Company offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performance.

Future Outlook

2008 was a challenging year when most people were caught by the financial crisis. For retailers like our company, the sternest issue is how to manage the inventory level and maintain strong working capital. Leveraging on our multi-brands business model, we launched a cross-brand promotion strategy that helped us to control the inventory to increase at a rate no faster than the top line revenue. We also obtained a timely bank loan in October 2008 providing us with a cash buffer to weather the current storm. All these enabled us to maintain a healthy balance sheet holding HK$442.0 million cash on hand at a gearing ratio of 10.7% as at end of February 2009.

Going ahead, business environment would likely continue to be a difficult one. The new financial year started with a low single digit decrease in the retail sales in Hong Kong. Therefore, it is of paramount significance that we continue to keep a close eye on the cost side and protect and sustain the profitability of our Hong Kong operation with a more conservative approach.

Despite the continued growth in the retail sales of our existing stores in Mainland China, we faced a setback in our expansion of new retail space in this market. The proposed lifestyle I.T mall project could not proceed because the landlord has unilaterally terminated a legally binding letter of intent. Currently, we are working out effective legal strategy to protect our contractual rights under the letter of intent. This would unavoidably delay our expansion pace. But we would immediately look for other opportunities in order to make up for it. If opportunity arises, we would continue to explore similar retailing strategy. In the first two months of the current financial year, our Mainland China operation continued to report remarkable 20.3% comparable store sales growth rate. Therefore, we remain cautiously optimistic and are confident of the long term prospect of this market.

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

In the opinion of the Board, the Company has complied with the Code Provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 28 February 2009 except for the deviations as mentioned below.

Code provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sham Kar Wai currently holds both positions. The Board believes that (1) vesting the roles of both Chairman of the Board and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans; and (2) the risk of concentration of power is mitigated by the sharing of the executive management of the business between Mr. Sham Kar Wai and Dr. Lo Wing Yan, William, J.P., the Vice Chairman and Managing Director.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Due to an unexpected business commitment, Mr. Sham Kar Wai, Chairman of the Board, was unable to attend the 2008 Annual General Meeting of the Company held on 30 June 2008 (the "2008 AGM"). Dr. Lo Wing Yan, William, J.P., Vice Chairman and Managing Director, was elected in accordance with the Bye-Laws of the Company to act as the chairman of the 2008 AGM and, together with the Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee attended questions at the meeting.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 28 February 2009, save as disclosed above, they have complied with the required standards set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group and the annual report for the year ended 28 February 2009.

The figures in respect of the preliminary announcement of the Group's results for the year ended 28 February 2009 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 28 February 2009.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 27 May 2009

As at the date of this announcement, the Board comprises Mr. Sham Kar Wai, Dr. Lo Wing Yan, William, J.P. and Mr. Sham Kin Wai as Executive Directors and Mr. Wong Wai Ming, Mr. Francis Goutenmacher and Dr. Wong Tin Yau, Kelvin as Independent Non-executive Directors.