I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2009

- Total revenue of the Group increased by 5.2% to HK$1,241.6 million.
- Total retail sales in Hong Kong decreased by 2.0% to HK$869.3 million, and comparable store sales decreased by 2.1%.
- Total retail sales in Mainland China increased by 26.6% to HK$297.7 million, and comparable store sales increased by 16.4%.
- Gross profit margin of the Group decreased by 2.0% to 58.8%.
- Due to cost control, total operating expenses did not increase in line with the revenue and stayed flat. Together with one-off and/or non-operational income and gain, net profit of the Group increased substantially by 198.7% to HK$44.8 million.

The board of directors (the "Board") of I.T Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2009, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 August	
		2009	2008
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	2	**1,241,595**	1,180,230
Cost of sales	4	**(511,660)**	(462,733)
Gross profit		**729,935**	717,497
Other gains/(losses)	3	**19,687**	(9,668)
Impairment of goodwill		**(4,145)**	–
Operating expenses	4	**(691,837)**	(691,922)
Operating profit		**53,640**	15,907
Finance income, net	5	**928**	2,724
Share of profit of jointly controlled entities		**1,504**	1,821
Profit before income tax		**56,072**	20,452
Income tax expense	6	**(11,302)**	(5,445)
Profit for the period		**44,770**	15,007
Other comprehensive income:			
Currency translation differences		**(2,168)**	27,578
Total comprehensive income for the period		**42,602**	42,585
Dividend	7	**–**	–
Earnings per share for the period (expressed in HK$ per share)			
– basic	8	**0.039**	0.013
– diluted	8	**0.039**	0.013

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 31 August 2009 (Unaudited) HK$'000	As at 28 February 2009 (Audited) HK$'000
ASSETS			
Non-current assets			
Furniture and equipment		**198,421**	229,124
Intangible assets		**260,504**	267,633
Investments in and amounts due from jointly controlled entities		**35,179**	32,564
Rental deposits		**83,473**	91,065
Deferred income tax assets		**31,267**	32,211
		608,844	652,597
Current assets			
Inventories		**415,282**	411,145
Trade and other receivables	9	**45,474**	67,289
Amounts due from jointly controlled entities		**26,459**	27,323
Prepayments and other deposits		**170,463**	104,011
Derivative financial instruments		**227**	–
Pledged bank deposits		**–**	750
Cash and cash equivalents		**447,115**	441,264
		1,105,020	1,051,782
LIABILITIES			
Current liabilities			
Bank borrowings	11	**(47,400)**	(47,400)
Trade and bill payables	10	**(128,990)**	(155,993)
Accruals and other payables		**(145,781)**	(135,677)
Amount due to jointly controlled entities		**(21,790)**	(9,206)
Derivative financial instruments		**–**	(3,452)
Current income tax liabilities		**(25,969)**	(24,261)
		(369,930)	(375,989)
Net current assets		**735,090**	675,793
Total assets less current liabilities		**1,343,934**	1,328,390
Non-current liabilities			
Bank borrowings	11	**(58,900)**	(82,600)
Other payables		**(27,298)**	(30,136)
Deferred income tax liabilities		**–**	(3,945)
		(86,198)	(116,681)
Net assets		**1,257,736**	1,211,709
EQUITY			
Capital and reserves			
Share capital		**115,504**	115,504
Reserves		**1,142,232**	1,096,205
Total equity		**1,257,736**	1,211,709

Notes:

1. **Basis of preparation and accounting policies**

This condensed consolidated interim financial information for the six months ended 31 August 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 28 February 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 28 February 2009, as described in those annual financial statements.

Previously, the Group expected that it will renew the leases in Mainland China with contract period shorter than 5 years upon their expiry. However, based on the experience of the Group in the recent years, the Group may not necessarily renew the leases upon their expiry due to the fact that the operating performance of each of these outlets may not be satisfactory or that the management may want to move to other locations. As a result, the Group revisited the depreciation policy on leasehold improvements of the stores and revised its estimates on the remaining useful life of the leasehold improvements. This change in estimates has increased the depreciation charge for the six months ended 31 August 2009 for approximately HK$11,000,000.

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

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 March 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 March 2009, but are currently not relevant to the Group:

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 March 2009 and have not been early adopted.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

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

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
– Sales of fashion wears and accessories	**1,241,595**	1,180,230
	1,241,595	1,180,230

The chief operating decision maker has been identified as the Board that makes strategic decisions. The Board reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group has only one reportable business segment, which is the sales of fashion wears and accessories.

The Board considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit/loss. The information provided to the Board is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred tax assets and investment in and amounts due from jointly controlled entities which are managed on a central basis.

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**879,939**	899,997
Mainland China	**322,156**	265,277
Others	**39,500**	14,956
Total	**1,241,595**	1,180,230

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating profit/(loss)		
Hong Kong	**69,084**	16,555
Mainland China	**(17,385)**	5,069
Others	**1,941**	(5,717)
Total	**53,640**	15,907

	As at	As at
	31 August	28 February
	2009	2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total segment assets		
Hong Kong	**817,503**	809,536
Mainland China	**740,724**	729,867
Others	**62,732**	72,878
Total	**1,620,959**	1,612,281

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

	As at 31 August 2009 (Unaudited) *HK$'000*	As at 28 February 2009 (Audited) *HK$'000*
Total segment assets	**1,620,959**	1,612,281
Deferred income tax assets	**31,267**	32,211
Investment in jointly controlled entities and amounts due from jointly controlled entities	**61,638**	59,887
Total assets per statement of financial position	**1,713,864**	1,704,379

3. Other gains/(losses)

	Six months ended 31 August	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Derivative financial instruments: forward currency contracts	**6,487**	(9,668)
Incentive income	**13,200**	–
	19,687	(9,668)

4. Expenses by nature

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**508,293**	463,173
(Reversal)/ write-downs of inventories to net realisable value	**(4,080)**	7,970
Employment costs (including directors' emoluments)	**222,093**	240,096
Operating lease rentals of premises		
– minimum lease payments	**245,296**	232,723
– contingent rents	**31,718**	21,642
Advertising and promotion costs	**14,072**	28,578
Depreciation of furniture and equipment	**66,400**	46,261
Loss on disposals of furniture and equipment	**333**	4,331
Licence fees (included in operating expenses)		
– amortisation of licence rights	**1,686**	3,372
– contingent licence fees	**1,460**	984
Amortisation of intangible assets (included in operating expenses)	**849**	822
Provision for impairment of trade and other receivables	**1,455**	1,031
Provision for impairment of prepayments and other deposits	**408**	–
Net exchange gains	**(1,012)**	(18,648)
Other expenses	**114,526**	122,320
Total	**1,203,497**	1,154,655
Representing:		
Cost of sales	**511,660**	462,733
Operating expenses	**691,837**	691,922
	1,203,497	1,154,655

5. Finance income, net

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income from		
– bank deposits	**525**	1,309
– amounts due from jointly controlled entities (i)	**128**	153
– others (i)	**1,960**	1,817
Finance income	**2,613**	3,279
Interest expense on		
– bank borrowings wholly repayable within five years	**(1,685)**	(68)
– licence fee payables (i)	**–**	(487)
Finance costs	**(1,685)**	(555)
Net finance income	**928**	2,724

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 and overseas profits tax has been provided at the rate of 16.5% (six months ended 31 August 2008: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively, on the estimated assessable profits for the period.

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

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**14,397**	7,991
– Mainland China enterprise income tax	**401**	9,267
Deferred income tax	**(3,496)**	(12,219)
Effect on tax rate change	**–**	406
	11,302	5,445

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2009 is 18.5% (the estimated tax rate for the six months ended 31 August 2008 was 19.6%).

7. Dividend

No dividend was declared for the six months ended 31 August 2009 and 31 August 2008 respectively.

8. Earnings per share

Basic

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

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**44,770**	15,007
Weighted average number of ordinary shares in issue *('000)*	**1,155,037**	1,154,891
Basic earnings per share *(HK$)*	**0.039**	0.013

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	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**44,770**	15,007
Weighted average number of ordinary shares in issue *('000)*	**1,155,037**	1,154,891
Adjustments for share options *('000)*	**–**	2,563
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,155,037**	1,157,454
Diluted earnings per share *(HK$)*	**0.039**	0.013

9. Trade and other receivables

	As at 31 August 2009	As at 28 February 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**39,473**	59,448
Less: provision for impairment of trade receivables	**–**	(361)
Trade receivables, net	**39,473**	59,087
Other receivables	**8,456**	27,316
Less: provision for impairment of other receivables	**(2,455)**	(19,114)
Other receivables, net	**6,001**	8,202
Trade and other receivables	**45,474**	67,289

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

The ageing analysis of the trade receivables are as follows:

	As at 31 August 2009 (Unaudited)	As at 28 February 2009 (Audited)
	HK$'000	*HK$'000*
0 to 30 days	**35,980**	56,223
31 to 60 days	**2,447**	2,749
61 to 90 days	**957**	4
Over 90 days	**89**	111
	39,473	59,087

The carrying amounts of trade receivables approximate their fair values.

10. Trade and bill payables

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

	As at 31 August 2009 (Unaudited)	As at 28 February 2009 (Audited)
	HK$'000	*HK$'000*
0 to 30 days	**108,655**	113,722
31 to 60 days	**13,293**	23,287
61 to 90 days	**777**	7,648
91 to 180 days	**3,528**	8,590
181 to 365 days	**1,150**	1,666
Over 365 days	**1,587**	1,080
	128,990	155,993

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

11. Borrowings

	As at 31 August 2009 (Unaudited)	As at 28 February 2009 (Audited)
	HK$'000	*HK$'000*
Non-current bank borrowings	**58,900**	82,600
Current bank borrowings	**47,400**	47,400
	106,300	130,000

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

	(Unaudited)
	HK$'000
Six months ended 31 August 2009	
Opening amount as at 1 March 2009	47,400
Proceeds from borrowings	23,700
Repayment of borrowings	(23,700)
Closing amount as at 31 August 2009	47,400
Six months ended 31 August 2008	
Opening amount as at 1 March 2008	10,000
Proceeds from borrowings	20,000
Repayment of borrowings	(30,000)
Closing amount as at 31 August 2008	–

Bank borrowings are secured and bear interest ranging from 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum to 1-month HIBOR plus 1.9% per annum (28 February 2009: ranging from 3-month HIBOR plus 1.3% per annum to 1-month HIBOR plus 1.6% per annum). The carrying amounts of bank borrowings approximate their fair values.

Interest expense on borrowings for the six months ended 31 August 2009 is approximately HK$1,685,000 (six months ended 31 August 2008: HK$68,000).

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2009 (six months ended 31 August 2008: Nil) so that the profit for the period could be fully retained.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) Group

The global economic downturn has different degrees of impact on the markets where we operate. We recorded a slight drop in the revenue generated from Hong Kong when the unemployment rate kept rising. Mainland China was less affected and we managed to record satisfactory growth in this market. Against this background, while Hong Kong remains the key revenue contributor, the proportion of revenue contributed by Mainland China has increased.

Breakdown of revenue by location:

	Six months ended 31 August			**Six months ended 31 August**	
	2009	2008	Change	**2009**	2008
	HK$ million	*HK$ million*			
Hong Kong	**879.9**	900.0	-2.2%	**70.9%**	76.3%
Mainland China	**322.2**	265.3	+21.4%	**25.9%**	22.4%
Others	**39.5**	14.9	+165.1%	**3.2%**	1.3%
	1,241.6	1,180.2	+5.2%	**100.0%**	100.0%

Overall, total revenue of the Group increased by 5.2% to HK$1,241.6 million (six months ended 31 August 2008: HK$1,180.2 million).

For the Group as a whole, retail sales from in-house brands have increased slightly faster than international brands. But international brands are still the major revenue contributor.

Breakdown of retail sales by brand category:

	Six months ended 31 August	
	2009	2008
In-house brands	**46.8%**	45.7%
International brands	**49.9%**	49.7%
Licensed brands	**3.3%**	4.6%
	100.0%	100.0%

Before the season began, we had anticipated a difficult operating environment and had adjusted our pricing and merchandising strategy. Despite so, gross profit margin decreased by 2.0 percentage point from 60.8% in the six months ended 31 August 2008 to 58.8% in the six months ended 31 August 2009, and gross profit increased by 1.7% to HK$729.9 million (six months ended 31 August 2008: HK$717.5 million).

Since the start of the financial crisis, we had taken measures to control costs. Such measures were effective in bringing down some of the operating expenses. For example, total staff costs (excluding share option expenses) decreased by 2.8% or HK$6.2 million from HK$224.9 million in the six months ended 31 August 2008 to HK$218.7 million in the six months ended 31 August 2009. Advertising budget was tightened and was reverted back to historical level of about 1.1% of total revenue (six months ended 31 August 2008: 2.4%) and this gave rise to a reduction of advertising and promotion expenses by 50.8% or HK$14.5 million, from HK$28.6 million in the six months ended 31 August 2008 to HK$14.1 million in the six months ended 31 August 2009. Since we did not grant any new options in this first half, and most of the outstanding share option value had been expensed last year, the share option expenses came down, from HK$15.2 million in the six months ended 31 August 2008 to HK$3.4 million in the six months ended 31 August 2009.

However, some of the other operating expenses are non-discretionary and are subject to market rates. Total rental expenses (including management fee, rates and government rent) increased by 9.6% or HK$28.0 million from HK$292.5 million in the six months ended 31 August 2008 to HK$320.5 million in the six months ended 31 August 2009. These increases in operating expenses have more or less eliminated the savings from the cost control. Total operating expenses did not increase in line with the revenue and stayed flat at HK$691.8 million (six months ended 31 August 2008: HK$691.9 million).

During the six months ended 31 August 2009, we received HK$13.2 million sponsorship from a business partner which was fully booked as other gain. The effect of this one-off non-operational income was partially neutralised by the HK$4.1 million impairment of goodwill on our Taiwan operation (which was also non-operational in nature).

Due to our business nature, we hedge our currency risk exposure by entering into forward currency contracts, and record gain/loss in each period recurrently. The weakening of the US dollars has reversed the loss of HK$9.7 million on the fair value changes in forward currency contracts in the six months ended 31 August 2008 to a gain of HK$6.5 million in the six months ended 31 August 2009. This has helped to improve the profitability of this first half quite substantially.

We are pleased to see that operating profit increased by 237.2% to HK$53.6 million (six months ended 31 August 2008: HK$15.9 million), EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by 79.9% to HK$125.2 million (six months ended 31 August 2008: HK$69.6 million) and net profit increased by 198.7% to HK$44.8 million (six months ended 31 August 2008: HK$15.0 million). However, as explained above, the improvement in profitability was mainly the result of savings from cost control, the effect of one-off non-operational HK$13.2 million sponsorship from a business partner and the reversal to gain from forward currency contracts, and was not due to the strengthening of fundamental business that is supported by a strong rebound of our core market in Hong Kong or profit contribution from our Mainland China operation.

(b) Hong Kong

Sales from retail operation decreased by 2.0% to HK$869.3 million (six months ended 31 August 2008: HK$886.7 million) at an overall negative comparable store sales growth rate of 2.1%. The result is not to be proud of though we have outperformed the market. According to the statistics released by the Hong Kong Government, in terms of value, the wearing apparel market recorded a drop of 6.8% during the same 6-month period.

As the first half last year was not affected by the financial crisis, on a year-on-year comparison, discount rate was higher this first half and gross profit margin would be squeezed inevitably. Gross profit margin of retail operation decreased by 2.6 percentage points, from 62.1% in the six months ended 31 August 2008 to 59.5% in the six months ended 31 August 2009.

International brands were the majority revenue contributor, accounting for 50.2% (six months ended 31 August 2008: 49.2%) of total retail sales. In-house brands accounted for 45.5% (six months ended 31 August 2008: 45.8%) of total retail sales, while licensed brands accounted for 4.3% (six months ended 31 August 2008: 5.0%) of total retail sales.

As the deflationary environment was only temporary, we were not granted much rental relief. Together with a drop in retail sales, rental expenses (including management fee, rates and government rent) as a percentage of total revenue was pulled up to 25.0% (six months ended 31 August 2008: 23.9%). The streamlining of headquarter staffs in the second half of last year continued to reflect its effect in this first half results. Despite the drop in retail sales, staff costs (excluding share option expenses) as a percentage of total revenue decreased from 20.6% in the six months ended 31 August 2008 to 19.1% in the six months ended 31 August 2009.

(c) Mainland China

Sales from retail operation increased by 26.6% to HK$297.7 million (six months ended 31 August 2008: HK$235.1 million) at an overall comparable store sales growth rate of 16.4%. We think the performance is satisfactory taking into account the fact that the market sentiment was still clouded by the financial crisis.

Similar to Hong Kong, deeper discount was offered in our Mainland China stores, particularly at the beginning of the period to clear the off season products carried forward from the last fall/winter collection. Gross profit margin of retail operation decreased by 3.7 percentage points, from 55.6% in the six months ended 31 August 2008 to 51.9% in the six months ended 31 August 2009.

Most of the new areas added in this first half was allocated to in-house brands and total retail sales of in-house brands increased faster than international brands. Therefore, the importance of in-house brands was increasing, and in-house brands accounted for 45.5% (six months ended 31 August 2008: 41.5%) of total retail sales. International brands accounted for 54.1% (six months ended 31 August 2008: 54.5%) of total retail sales, while licensed brands accounted for 0.4% (six months ended 31 August 2008: 4.0%) of total retail sales.

Due to amortisation of rental incentives, rental expenses (including management fee) as a percentage of total revenue increased from 26.2% in the six months ended 31 August 2008 to 28.8% in the six months ended 31 August 2009. Staff cost as a percentage of total revenue stayed flat at 13.7% (six months ended 31 August 2008: 13.6%).

We have revisited the estimated useful life of leasehold improvements, and this change has increased the depreciation charges for the six months ended 31 August 2009 by approximately HK$11 million. Setting aside this effect, our Mainland China was making a slight loss in this first half. If we further exclude the effect of exchange gain, the overall performance in the six months ended 31 August 2009 would have improved over the six months ended 31 August 2008.

(d) Others

Taiwan operation could not sustain the satisfactory performance of last year. In the six months ended 31 August 2009, comparable store sales growth rate was a negative of 2.4%. As such, we have made HK$4.1 million full provision on the goodwill arising from the acquisition of the ex-joint venture partner's interest in the Taiwan operation. On the contrary, Macau operation was improving gradually, recording a comparable store sales growth rate of 1.4% and was slightly profitable in the six months ended 31 August 2009.

Outside Greater China, we have achieved a breakthrough recently. Galeries Lafayette has opened 4 stores for our best selling in-house brand http://www.izzue.com in France. They are also planning to open one for us in Berlin early next year. This would be the first time we tap into Europe and we hope this would lead to the opening of a new market for the Group.

As at 31 August 2009, we had 17 franchised stores in Saudi Arabia, Thailand, Australia and Philippines.

Share of Results of Jointly Controlled Entities

Our jointly controlled entities were not performing very well in this first half. Overall, profit from share of results of jointly controlled entities decreased from HK$1.8 million in the six months ended 31 August 2008 to HK$1.5 million in the six months ended 31 August 2009.

Cash Flows

As a result of increase in sales revenue, cost saving from effective control of operating costs, receipt of one-off sponsorship from a business partner during the period, and a more healthy inventory level, operating cash-flow turned from an outflow of HK$103.5 million in the six months ended 31 August 2008 to an inflow of HK$66.1 million in the six months ended 31 August 2009. Net cash used in investing activities comprising mainly acquisition of furniture and equipment was HK$36.7 million (six months ended 31 August 2008: HK$73.5 million). Net cash used in financing activities was HK$23.0 million (six months ended 31 August 2008: HK$107.3 million). The net cash used in financing activities was reduced substantially because we did not declare any dividend when we announced our final results last year.

Inventory

Inventory turnover days of the Group was reduced from 155.9 days for the six months ended 31 August 2008 to 148.6 days for the six months ended 31 August 2009. The improvement would be attributable to a better merchandising budget and our strenuous effort to clear off season products.

Liquidity and Capital Resources

As at 31 August 2009, total cash and bank balances amounted to HK$447.1 million (28 February 2009: HK$442.0 million) and the total liabilities were HK$456.1 million (28 February 2009: HK$492.7 million). As at 31 August 2009, shareholders' equity was HK$1,257.7 million (28 February 2009: HK$1,211.7 million). As at 31 August 2009, the Group had aggregate banking facilities of approximately HK$533.8 million (28 February 2009: HK$525.0 million) for overdrafts, bank loans and trade financing, of which approximately HK$309.9 million (28 February 2009: HK$270.7 million) was unutilised. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries as at 31 August 2009 and also by the Group's bank deposits of HK$750,000 as at 28 February 2009. The Group had HK$106.3 million long term bank borrowings as at 31 August 2009 (28 February 2009: long term bank borrowings HK$130.0 million). The current ratio as at 31 August 2009 was 3.0 (28 February 2009: 2.8) and the gearing was 8.5% (28 February 2009: 10.7%) based on shareholders' equity.

Contingent liabilities

As at 31 August 2009, the Group did not have significant contingent liabilities (28 February 2009: no significant contingent liabilities).

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 31 August 2009, the notional amounts of outstanding forward foreign exchange contracts to buy Japanese Yen and Euros for hedging against foreign exchange risk exposure relating to firm purchase order of fashion wears and accessories and certain outstanding payables denominated in that currency, are approximately HK$7.5 million (28 February 2009: HK$66.9 million).

Employment, Training and Development

The Company had a total of 3,273 employees as at 31 August 2009 (28 February 2009: 3,286). 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

The cost control measures did help us to weather the financial crisis and improve the profitability of the Group. However, we do not expect that there would be much further room for us to cut on the cost side. The future would hinge on the recovery of the general economy. We see that the Hong Kong market is stabilising in the past few months, while Mainland China has been growing, albeit at varying growth rates in different months. Based on data generated from our internal POS system, in September and October, we recorded a single digit increase in the total retail sales in Hong Kong and double digit increase in the total retail sales in Mainland China.

We have slowed down expansion in Hong Kong since the financial crisis. Given the latest trend, we start to feel less worried and may expand again if we can find good locations at reasonable terms.

In Mainland China, we have not ceased our expansion even in the midst of the financial crisis. In this first half, we have added a little over 14,000 square foot of retail space. To fully exploit the market timely and to leverage our operating efficiencies, it is pertinent that we expand faster in Mainland China, in the key cities as well as in the secondary cities, in shopping malls as well as through department stores. However, the management would be cautious not to achieve this goal at the expense of a weakened balance sheet. We would continue to monitor our cash flow closely.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

In the opinion of the Board, the Company has complied with the Code Provisions set out in the 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 six months ended 31 August 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 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2009, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information and interim report for the six months ended 31 August 2009.

The interim financial report for the six months ended 31 August 2009 has also been reviewed by PricewaterhouseCoopers, the Company's independent auditor, whose review report will be included in the interim report to be sent to shareholders.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2009.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 4 November 2009

As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai 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.