I.T LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 999)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2010

- Due to the recovery of economy and positive consumer sentiment, total turnover of the Group increased by 20.8% to HK$1,499.8 million.
- Total retail sales in Hong Kong increased by 20.2% to HK$1,044.9 million, and comparable store sales increased by 13.4%.
- Total retail sales in Mainland China increased by 21.3% to HK$361.3 million, and comparable store sales increased by 8.0%.
- Gross profit increased by 28.4% to HK$937.3 million and gross profit margin increased by 3.7 percentage points to 62.5%.
- Improvement in gross profit, coupled with the positive leverage of revenue on operating costs, EBITDA increased by 47.8% to HK$187.2 million and total net profit increased by 141.0% to HK$107.9 million.
- Basic earnings per share increased by 138.5% to HK9.3 cents.
- An interim dividend of HK4.2 cents per share was declared.

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 2010, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 August	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	2	**1,499,832**	1,241,595
Cost of sales	4	**(562,566)**	(511,660)
Gross profit		**937,266**	729,935
Other (losses)/gains	3	**(7,531)**	19,687
Impairment of goodwill		**–**	(4,145)
Operating expenses	4	**(800,966)**	(691,837)
Operating profit		**128,769**	53,640
Finance income, net	5	**1,940**	928
Share of profits less losses of jointly controlled entities		**3,006**	1,504
Profit before income tax		**133,715**	56,072
Income tax expense	6	**(25,841)**	(11,302)
Profit for the period and attributable to equity holders of the Company		**107,874**	44,770
Other comprehensive income/(expense):			
Currency translation differences		**4,279**	(2,168)
Total comprehensive income for the period		**112,153**	42,602
Earnings per share for the period (expressed in HK$ per share)			
– basic	8	**0.093**	0.039
– diluted	8	**0.092**	0.039
Dividend	7	**50,088**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 August 2010 (Unaudited)** *HK$'000*	As at 28 February 2010 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Furniture and equipment		**228,946**	233,395
Intangible assets		**261,104**	259,823
Investments in and amounts due from jointly controlled entities		**42,599**	39,338
Rental deposits		**166,754**	121,711
Deferred income tax assets		**23,104**	31,282
		722,507	685,549
Current assets			
Inventories		**468,189**	394,520
Trade and other receivables	9	**92,376**	120,080
Amounts due from jointly controlled entities		**22,883**	27,045
Prepayments and other deposits		**164,259**	122,747
Cash and cash equivalents		**936,512**	622,238
		1,684,219	1,286,630
LIABILITIES			
Current liabilities			
Bank borrowings	11	**(347,400)**	(47,400)
Trade and bill payables	10	**(219,085)**	(149,488)
Accruals and other payables		**(159,416)**	(178,245)
Amounts due to jointly controlled entities		**(34,501)**	(22,699)
Derivative financial instruments		**(839)**	(1,001)
Current income tax liabilities		**(36,245)**	(29,811)
		(797,486)	(428,644)
Net current assets		**886,733**	857,986
Total assets less current liabilities		**1,609,240**	1,543,535
Non-current liabilities			
Bank borrowings	11	**(11,500)**	(35,200)
Other payables		**(24,377)**	(26,030)
Deferred income tax liabilities		**–**	(4,582)
		(35,877)	(65,812)
Net assets		**1,573,363**	1,477,723
EQUITY			
Capital and reserves			
Share capital		**119,256**	115,504
Reserves		**1,454,107**	1,362,219
Total equity		**1,573,363**	1,477,723

NOTES:

1. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 31 August 2010 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 28 February 2010, as described in those annual financial statements, with the addition of certain amendments to standards, new interpretation and the HKICPA's improvements to HKFRS 2009 which are relevant to the Group's operation and are mandatory for the financial year ending 28 February 2011. These amendments to standards and new interpretation had no material impact on the Group's financial statements.

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

2. Turnover and segment information

	Six months ended 31 August	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover		
– Sales of fashion wears and accessories	**1,499,832**	1,241,595

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 Board considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit before impairment of goodwill and furniture and equipment, depreciation of furniture and equipment, amortisation and write-off of intangible assets ("EBITDA"). The information provided to the Board is measured in a manner consistent with that in the financial statements.

The segment information provided to the Board for the reportable segments for the period ended 31 August 2010 and 2009 is as follows:

	(Unaudited)							
	Hong Kong		**Mainland China**		**Others**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**1,054,009**	879,939	**391,838**	322,156	**53,985**	39,500	**1,499,832**	1,241,595
EBITDA	**114,017**	106,969	**60,121**	10,166	**13,098**	9,585	**187,236**	126,720
Depreciation and amortisation	**(34,757)**	(37,885)	**(18,635)**	(27,551)	**(5,075)**	(3,499)	**(58,467)**	(68,935)
Goodwill impairment	**–**	–	**–**	–	**–**	(4,145)	**–**	(4,145)
Share of profit/(loss) from jointly controlled entities	**2,154**	1,960	**420**	(759)	**432**	303	**3,006**	1,504
Finance income	**1,348**	1,514	**1,244**	1,051	**50**	48	**2,642**	2,613
Finance cost	**(697)**	(1,653)	**(5)**	(32)	**–**	–	**(702)**	(1,685)
Profit/(loss) before income tax	**82,065**	70,905	**43,145**	(17,125)	**8,505**	2,292	**133,715**	56,072
Income tax (expense)/credit	**(14,391)**	(12,439)	**(10,069)**	1,098	**(1,381)**	39	**(25,841)**	(11,302)

3. Other (losses)/gains

	Six months ended 31 August	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/gain on derivative financial instruments – forward currency contracts	**(7,531)**	6,487
Incentive income	**–**	13,200
	(7,531)	19,687

4. Expenses by nature

	Six months ended 31 August	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**568,369**	508,293
Reversal of inventories to net realisable value	**(4,739)**	(4,080)
Employment costs (including directors' emoluments)	**273,545**	222,093
Operating lease rentals of premises		
– minimum lease payments	**287,013**	245,296
– contingent rents	**42,788**	31,718
Advertising and promotion costs	**21,257**	14,072
Depreciation of furniture and equipment	**55,634**	66,400
Loss on disposals of furniture and equipment	**2,409**	333
Licence fees (included in operating expenses)		
– amortisation of licence rights	**1,965**	1,686
– contingent licence fees	**1,980**	1,460
Amortisation of intangible assets (included in operating expenses)	**868**	849
Provision for impairment of other receivables	**–**	1,455
(Reversal)/provision for impairment of prepayments and other deposits	**(10,363)**	408
Net exchange gains	**(16,025)**	(1,012)
Other expenses	**138,831**	114,526
Total	**1,363,532**	1,203,497
Representing:		
Cost of sales	**562,566**	511,660
Operating expenses	**800,966**	691,837
	1,363,532	1,203,497

5. Finance income, net

	Six months ended 31 August	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from		
– bank deposits	**972**	525
– amounts due from jointly controlled entities	**304**	128
– others [(i)]	**1,366**	1,960
Finance income	**2,642**	2,613
Interest expense on		
– bank borrowings wholly repayable within five years	**(702)**	(1,685)
Finance costs	**(702)**	(1,685)
Net finance income	**1,940**	928

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 2009: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

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

	Six months ended 31 August	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**17,612**	14,397
– Mainland China enterprise income tax	**4,476**	401
Deferred income tax	**3,753**	(3,496)
	25,841	11,302

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 2010 is 19.3% (the estimated tax rate for the six months ended 31 August 2009 was 18.5%).

7. Dividend

A dividend relating to the period to 28 February 2010 amounted to HK$121,369,000, of which HK$40,551,000 was paid in August 2010 and 769,699,469 out of the total shares of 1,155,897,473 elected to receive scrip shares in lieu of cash dividends of HK$80,818,000.

The Board declared an interim dividend of HK$0.042 per ordinary share for the six months ended 31 August 2010 on 28 October 2010 (six months ended 31 August 2009: Nil). This proposed interim dividend is not reflected as a dividend payable as of 31 August 2010, but will be recorded as a distribution of retained earnings for the year ending 28 February 2011. The proposed interim dividend of HK$50,088,000 for the six months ended 31 August 2010 is calculated based on 1,192,563,933 shares of the Company in issue.

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	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**107,874**	44,770
Weighted average number of ordinary shares in issue ('000)	**1,156,655**	1,155,037
Basic earnings per share (HK$)	**0.093**	0.039

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 prepared 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 increased by the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 August	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**107,874**	44,770
Weighted average number of ordinary shares in issue ('000)	**1,156,655**	1,155,037
Adjustments for share options ('000)	**17,835**	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,174,490**	1,155,037
Diluted earnings per share (HK$)	**0.092**	0.039

9. Trade and other receivables

	As at 31 August 2010 (Unaudited) HK$'000	As at 28 February 2010 (Audited) HK$'000
Trade receivables	**50,862**	77,611
Less: provision for impairment of trade receivables	**–**	–
Trade receivables, net	**50,862**	77,611
Other receivables	**41,514**	42,469
Less: provision for impairment of other receivables	**–**	–
Other receivables, net	**41,514**	42,469
Trade and other receivables	**92,376**	120,080

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 2010 (Unaudited) HK$'000	As at 28 February 2010 (Audited) HK$'000
0 to 30 days	**48,978**	74,769
31 to 60 days	**1,613**	2,758
61 to 90 days	**259**	38
Over 90 days	**12**	46
	50,862	77,611

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 2010 (Unaudited) HK$'000	As at 28 February 2010 (Audited) HK$'000
0 to 30 days	**166,939**	112,683
31 to 60 days	**32,011**	18,766
61 to 90 days	**5,163**	7,292
91 to 180 days	**8,797**	6,499
181 to 365 days	**4,564**	3,771
Over 365 days	**1,611**	477
	219,085	149,488

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

11. Bank borrowings

	As at 31 August 2010 (Unaudited) HK$'000	As at 28 February 2010 (Audited) HK$'000
Current bank borrowings	**347,400**	47,400
Non-current bank borrowings	**11,500**	35,200
	358,900	82,600

Movements in bank borrowings are analysed as follows:

	(Unaudited) HK$'000
Six months ended 31 August 2010	
As at 1 March 2010	**82,600**
Proceeds from borrowings	**300,000**
Repayments of borrowings	**(23,700)**
As at 31 August 2010	**358,900**
Six months ended 31 August 2009	
As at 1 March 2009	47,400
Proceeds from borrowings	23,700
Repayments of borrowings	(23,700)
As at 31 August 2009	47,400

Bank borrowings are secured and bear interest ranging from 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.8% per annum to 1-month HIBOR plus 1.9% per annum (28 February 2010: 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 2010 is approximately HK$702,000 (six months ended 31 August 2009: HK$1,685,000).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.2 cents per share for the six months ended 31 August 2010 (six months ended 31 August 2009: Nil) payable to those shareholders whose names appear on the register of members on 18 November 2010.

In order to maintain a strong balance sheet for future growth, the Board has resolved providing the shareholders with an option to receive the interim dividend in the form of new fully paid shares in lieu of cash. Further details of the scrip dividend scheme and the election form will be dispatched on or around 26 November 2010.

The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) *Group*

With the gradual recovery of the global economy, the retail market in the Greater China region has maintained its growth momentum in the first half of the financial year. By extending and enriching our product lines and implementing effective marketing strategies, we recorded a strong growth of net profit in the first half by 141.0%, net profit reached HK$107.9 million (six months ended 31 August 2009: HK$44.8 million).

While the Hong Kong market continued to be the key revenue contributor, contributing about 70.3% of the total turnover, the turnover contribution from the Mainland China market was increasingly significant, amounting to 26.1% in the first half.

Breakdown of turnover by region of operation:

	Six months ended 31 August			Six months ended 31 August	
	2010	2009	**Change**	**2010**	2009
	HK$ million	HK$ million			
Hong Kong	**1,054.0**	879.9	+19.8%	**70.3%**	70.9%
Mainland China	**391.8**	322.2	+21.6%	**26.1%**	25.9%
Others	**54.0**	39.5	+36.7%	**3.6%**	3.2%
	1,499.8	1,241.6	+20.8%	**100.0%**	100.0%

As a whole, the total turnover of the Group increased by 20.8% to HK$1,499.8 million (six months ended 31 August 2009: HK$1,241.6 million).

Although the proportion of retail sales from Mainland China stayed at about 24.7% of the total retail sales of the Group in the first half, the retail sales growth in this region was 21.3%, which was faster than the Hong Kong market total retail sales growth of 20.2% for the corresponding period.

Breakdown of retail sales by region:

	Six months ended 31 August		Retail sales growth (%)
	2010	2009	
Hong Kong	**71.6%**	72.1%	20.2%
Mainland China	**24.7%**	24.7%	21.3%
Others	**3.7%**	3.2%	36.9%
	100.0%	100.0%	

For the Group as a whole, retail sales from in-house brands increased faster than the international brands and became the largest contributor to the retail sales of the Group, accounted for 49.8% of the total retail sales. Notwithstanding, international brands continued to be a major revenue contributor, which accounted for 46.1% of the total retail sales.

Breakdown of retail sales by brand category:

	Six months ended 31 August	
	2010	2009
In-house brands	**49.8%**	46.8%
International brands	**46.1%**	49.9%
Licensed brands	**4.1%**	3.3%
	100.0%	100.0%

With the recovering economic environment and positive consumer sentiment, we adopted proactive marketing strategies to drive our sales during the first half of the period under review. As a result, gross profit increased by 28.4% to HK$937.3 million (six months ended 31 August 2009: HK$729.9 million) and the overall gross profit margin was lifted from 58.8% for the six months ended 31 August 2009 to 62.5% for the six months ended 31 August 2010.

Total operating expenses increased by 15.8% to HK$801.0 million (six months ended 31 August 2009: HK$691.8 million), but the operating expenses as a percentage to total revenue decreased by about 2.3 percentage points to about 53.4% for the six months ended 31 August 2010. Such decrease was mainly attributable to the positive leverage of revenue on operating costs and our effective cost control measures. Total rental expenses (including rental charges, management fee, rates and government rent) as a percentage to total turnover decreased slightly by about 0.5 percentage points to 25.3% for the six months ended 31 August 2010 and total staff cost (excluding share option expenses) as a percentage of total turnover maintained at 17.7% for the six months ended 31 August 2010. Since there were more brand building activities (e.g. fashion shows, media activities, outdoor advertising and promotional events, etc.) during the first half as compared with that of the corresponding period of last year, advertising and promotion expenses increased significantly by 51.1% to HK$21.3 million (six months ended 31 August 2009: HK$14.1 million), but was still maintained at a stable level of about 1.4% as a percentage to total turnover (six months ended 31 August 2009: 1.1%).

Improvement in gross profit, coupled with the positive leverage of revenue on operating costs, increased our operating profit by 140.1% to HK$128.8 million (six months ended 31 August 2009: HK$53.6 million) and EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by 47.8% to HK$187.2 million (six months ended 31 August 2009: HK$126.7 million). Our operating margin in the first half also improved by 4.3 percentage points to 8.6% over the corresponding period in 2009.

(b) *Hong Kong*

Sales from retail operation increased by 20.2% to HK$1,044.9 million (six months ended 31 August 2009: HK$869.3 million) at an overall comparable store sales growth rate of 13.4% (six months ended 31 August 2009: negative growth of 2.1%). We believe that such strong growth was mainly driven by the improved market condition. Gross profit margin from retail operation increased by 2.6 percentage points from 59.5% for the six months ended 31 August 2009 to 62.1% for the six months ended 31 August 2010.

Retail sales from in-house brands increased by 25.8% whereas retail sales from international brands increased by 13.9%. In addition, the proportion of in-house brands of the total retail sales increased from 45.5% for the six months ended 31 August 2009 to 47.6% for the six months ended 31 August 2010, which was equivalent to the contribution from international brands, which was also 47.6% (six months ended 31 August 2009: 50.2%) of the total retail sales while licensed brands accounted for 4.8% of total retail sales (six months ended 31 August 2009: 4.3%).

Rental expenses (including rental charges, management fee, rates and government rent) as a percentage of total turnover was reduced by 0.4 percentage points to 24.6% (six months ended 31 August 2009: 25.0%). Staff cost (excluding share option expenses) as a percentage of total turnover increased slightly from 19.1% for the six months ended 31 August 2009 to 19.3% for the six months ended 31 August 2010. With a higher revenue and gross profit base, operating profit (excluding the one off incentive income from a business partner in the six months period ended 31 August 2009) increased by about 41.9% to HK$79.3 million in the first half of 2010/11 (six months ended 31 August 2009: HK$55.9 million) and the operating margin (operating profit excluding the incentive income as a percentage to turnover) increased slightly from 6.4% for the six months ended 31 August 2009 to 7.5% for the six months ended 31 August 2010.

(c) *Mainland China*

Similar to Hong Kong, sales from retail operation in the Mainland China market increased by 21.3% to HK$361.3 million (six months ended 31 August 2009: HK$297.7 million) at an overall comparable store growth rate of 8.0% (six months ended 31 August 2009:16.4%). The lower comparable store growth rate was mainly due to the relatively high base of the corresponding period last year due to deep discounts offered to boost sales. Gross profit margin of retail operation increased significantly by 12.1 percentage points from 51.9% for the six months ended 31 August 2009 to 64.0% for the six months ended 31 August 2010.

International brands accounted for 47.1% of the total retail sales for the six months ended 31 August 2010 (six months ended 31 August 2009: 54.1%). Since more in-house brand shops were opened, the turnover contribution from in-house brands increased and accounted for 50.6% of the total retail sales (six months ended 31 August 2009: 45.5%), while sales of licensed brands continued to be low, accounting for 2.3% (six months ended 31 August 2009: 0.4%) of total retail sales.

Rental expenses (including rental charge and management fee) as a percentage to total turnover decreased from 28.8% for the six months ended 31 August 2009 to 27.3% for the six months ended 31 August 2010, which was mainly due to the positive leveraging of turnover. In addition, with a small net increase of about 17,000 square feet of total sales floor area as compared with that of the last financial year end, our rental cost (including management fee) increased by about 15.3% as compared with last corresponding period. Staff cost as a percentage of total turnover increased slightly from 13.7% for the six months ended 31 August 2009 to 14.0% for the six months ended 31 August 2010. Benefitting from the growth momentum of the retail market after the last financial year, our Mainland China operation became profitable with an operating margin of 10.6% (six months ended 31 August 2009: an operating loss of 5.4%)

(d) Others

Total net sales from Taiwan retail operation increased by 36.1% for the six months ended 31 August 2010 with a comparable store growth rate of 8.8% (six months ended 31 August 2009: negative growth of 2.4%). We have also launched our in-house brand, 5cm, into Taiwan and opened 4 stores in Taipei in September 2010. The Macau operation reported a remarkable comparable store growth of 30.3% due to the influx of tourists from Mainland China and our relatively low base of last financial year (six months ended 31 August 2009: 1.4%). Due to the good prospect of the market, we have opened one store for our in-house brand, http://www.izzue.com in July to further strengthen the sales growth of the Group in this city.

As at 31 August 2010, we had 20 franchised stores in Saudi Arabia, Thailand, the Philippines, France and Germany.

Share of Results of Jointly Controlled Entities

The share of profit of our jointly controlled entities doubled to HK$3.0 million for the six months ended 31 August 2010 (six months ended 31 August 2009: HK$1.5 million).

Cash Flows

As a result of the increase in revenue and gross profit, net cash inflow from operating activities increased from HK$66.1 million for the six months ended 31 August 2009 to HK$110.0 million for the six months ended 31 August 2010. Net cash used for investing activities for the six months ended 31 August 2010 was HK$47.4 million (six months ended 31 August 2009: HK$36.7 million) which mainly represented the acquisition of furniture & equipment for retail operation. During the six months ended 31 August 2010, net cash inflow from financing activities was HK$252.0 million (six months ended 31 August 2009: net cash outflow of HK$23.0 million), which was mainly due to a stand by loan of HK$300 million raised for any potential acquisition(s) in case opportunities arise.

Inventory

Inventory turnover days of the Group were reduced from 148.6 days for the six months ended 31 August 2009 to 141.1 days for the six months ended 31 August 2010. The decrease was mainly attributable to the enhanced merchandising effort on the sale of on-season and off-season products.

Liquidity and Capital Resources

As at 31 August 2010, total cash and bank balances amounted to HK$936.5 million (28 February 2010: HK$622.2 million) and total liabilities of HK$833.4 million (28 February 2010: HK$494.5 million). As at 31 August 2010, shareholders' equity was HK$1,573.4 million (28 February 2010: HK$1,477.7 million).

As at 31 August 2010, the Group had aggregate banking facilities of approximately HK$796.4 million (28 February 2010: HK$496.4 million) for overdrafts, bank loans and trade financing, of which approximately HK$240.4 million (28 February 2010: HK$310.1 million) was unutilised. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries as at 31 August 2010. The Group had HK$358.9 million bank borrowings as at 31 August 2010 (28 February 2010: HK$82.6 million). The current ratio as at 31 August 2010 was 2.1 (28 February 2010: 3.0) and the gearing was 22.8% (28 February 2010: 5.6%) based on shareholders' equity.

Capital Commitment on Acquisition of Properties

On 21 August 2010, the Group entered into several provisional agreements for sale and purchase to acquire certain units of the existing office premises and car parks at a total consideration of HK$227.7 million. Formal agreements for sale and purchase of the office premises and car parks were entered on 10 September 2010. As of 31 August 2010, capital commitment in respect of the acquisition of office premises and carparks amounted to HK$216.3 million. The acquisition will be funded by internal cash reserves and bank borrowings.

Contingent Liabilities

As at 31 August 2010, the Group did not have significant contingent liabilities (28 February 2010: nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. As at 31 August 2010, the notional amounts of outstanding forward foreign exchange contracts to buy Euros 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$30.2 million (28 February 2010: HK$60.1 million).

Employment, Training and Development

The Group had a total of 4,149 employees as at 31 August 2010 (28 February 2010: 3,693). Training and development courses were regularly organised for employees to enhance their technical and product knowledge as well as sales and marketing and business management skills. The Group 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

With the continuous economic recovery in the first half, we have been making steady progress to implement our business plans. In Mainland China, notwithstanding a small net increase of about 17,000 square feet of total sales floor area as compared with that of our last financial year end, we have added 39,000 square feet of new sales floor area at the end of August 2010. The development pace in Mainland China follows our existing expansion plan which mainly focuses on the second half. In September 2010, we further added 30,000 square feet new sales floor area, in particular, the opening of our two in-house brand shops, namely http://www.izzue.com and b+ab, in Guangzhou. In Hong Kong, the new sales floor area added were about 23,000 square feet at the end of August 2010 and 30,000 square feet new sales floor area were added in September 2010, mainly with new shops opened in a new shopping mall in Tsim Sha Tsui. Based on our shop opening plan, we are still on track to achieve our aim of expanding our retail network by the end of this financial year.

Evidenced by the increase of 51.1% in advertising and promotion expenses in the first half, we have organised various promotional events including fashion shows, media events, print and outdoor advertising to further enhance our brand awareness in Hong Kong and Mainland China. We will continue this strategy in the second half.

After the end of August, Hong Kong and Mainland China markets, continue to be strong, we remain cautiously optimistic to the retail sales growth in these two regions in the second half particularly due to the high base of last financial year. To optimise our existing brand mix and retail infrastructure, we will also look for opportunities to acquire new brands in the future in case opportunities arise. Through stable and consistent business growth, we are confident to increase our brand awareness in Mainland China while creating better returns for shareholders and investors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 November 2010 to Thursday, 18 November 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 November 2010.

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 2010 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 2010, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information of the Group and interim report for the six months ended 31 August 2010.

The interim financial report for the six months ended 31 August 2010 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 2010.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 28 October 2010

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.