

**I.T**

**INTERIM REPORT**

**10/11**

**STOCK CODE: 999**





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**R**

**U**

**T**

**I**

**S**

**a fashion icon**

**TREND SETTING**

**inspiration**

**a lifestyle**

**MOVING FORWARD**

**CORPORATE PROFILE**

### **Executive Directors**

Mr. SHAM Kar Wai  
Mr. SHAM Kin Wai

# DIRECTORS

#### **Independent Non-executive Directors**

Mr. WONG Wai Ming  
Mr. Francis GOUTENMACHER  
Dr. WONG Tin Yau, Kelvin

#### **Company Secretary**

Miss HO Suk Han, Sophia

#### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

#### **Head Office and Principal Place of Business in Hong Kong**

31/F Tower A Southmark  
11 Yip Hing Street  
Wong Chuk Hang  
Hong Kong

#### **Auditor**

PricewaterhouseCoopers,  
Certified Public Accountants

#### **Principal Bankers**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

#### **Principal Share Registrar**

HSBC Bank Bermuda Limited

#### **Hong Kong Branch Share Registrar**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716 17/F Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel: 2862-8628

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#### **Corporate Website**

[www.ithk.com](http://www.ithk.com)



# HIGHLIGHTS

- 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.

<b>Key statistics</b>	<b>31 August 2010</b>	<b>31 August 2009</b>	<b>Change</b>
Inventory Turnover (Days) <sup>(1)</sup>	141.1	148.6	-7.5
Capital Expenditure (HK\$ million) <sup>(2)</sup>	55.1	39.8	+15.3
Net Cash (HK\$ million) <sup>(3)</sup>	577.6	340.8	+236.8
Current Ratio <sup>(4)</sup>	2.1	3	-0.9
Return on Equity (%) <sup>(5)</sup>	7.1	3.6	+3.5

Notes:

<sup>(1)</sup> Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.

<sup>(2)</sup> Additions of furniture and equipment and intangible assets during the period.

<sup>(3)</sup> Cash and cash equivalents less bank borrowings.

<sup>(4)</sup> Current assets divided by current liabilities.

<sup>(5)</sup> Profit for the period divided by average of shareholders' equity at the beginning and at the end of the period.

## Store Coverage

	A. No. of stores			
	Self-managed		Franchised/Managed by Business Partners	
	31 August 2010	28 February 2010	31 August 2010	28 February 2010
<b>Greater China:</b>				
Hong Kong				
I.T	189	178	–	–
FCUK IT <sup>(1)</sup>	8	8	–	–
ZIT H.K. <sup>(1)</sup>	1	1	–	–
Mainland China				
I.T	124	119	44	42
FCIT China <sup>(1)</sup>	15	15	3	2
Taiwan	8	8	–	–
Macau				
I.T	10	9	–	–
FCIT Macau <sup>(1)</sup>	2	2	–	–
<b>Overseas:</b>				
Thailand	–	–	10	10
Saudi Arabia	–	–	3	3
Australia	–	–	2	2
Philippines	–	–	2	2
Europe <sup>(2)</sup>	–	–	6	4

	B. Sales footage			
	Self-managed		Franchised/Managed by Business Partners	
	31 August 2010	28 February 2010	31 August 2010	28 February 2010
<b>Greater China:</b>				
Hong Kong				
I.T	442,518	427,769	–	–
FCUK IT <sup>(1)</sup>	11,556	11,556	–	–
ZIT H.K. <sup>(1)</sup>	2,300	2,300	–	–
Mainland China				
I.T	291,413	274,466	52,842	47,753
FCIT China <sup>(1)</sup>	23,586	23,586	4,164	2,496
Taiwan	13,057	12,675	–	–
Macau				
I.T	28,350	27,680	–	–
FCIT Macau <sup>(1)</sup>	4,430	4,430	–	–
<b>Overseas:</b>				
Thailand	–	–	8,373	9,162
Saudi Arabia	–	–	3,744	3,744
Australia	–	–	1,711	1,711
Philippines	–	–	1,525	1,525
Europe <sup>(2)</sup>	–	–	2,214	1,947

Notes:

<sup>(1)</sup> a 50% owned joint venture of the Company.

<sup>(2)</sup> comprising France and Germany.

# INDEPENDENT REVIEW REPORT



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF I.T LIMITED  
(incorporated in Bermuda with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 27, which comprises the condensed consolidated statement of financial position of I.T Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2010 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

A handwritten signature in black ink, appearing to be a stylized representation of the letters 'PwC' or a similar mark.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 October 2010

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2010

	Note	Six months ended 31 August	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	4	<b>1,499,832</b>	1,241,595
Cost of sales	6	<b>(562,566)</b>	(511,660)
Gross profit		<b>937,266</b>	729,935
Other (losses)/gains	5	<b>(7,531)</b>	19,687
Impairment of goodwill		-	(4,145)
Operating expenses	6	<b>(800,966)</b>	(691,837)
Operating profit		<b>128,769</b>	53,640
Finance income, net	7	<b>1,940</b>	928
Share of profits less losses of jointly controlled entities		<b>3,006</b>	1,504
Profit before income tax		<b>133,715</b>	56,072
Income tax expense	8	<b>(25,841)</b>	(11,302)
Profit for the period and attributable to equity holders of the Company		<b>107,874</b>	44,770
<b>Other comprehensive income/(expense):</b>			
Currency translation differences		<b>4,279</b>	(2,168)
Total comprehensive income for the period		<b>112,153</b>	42,602
Earnings per share for the period (expressed in HK\$ per share)			
– basic	10	<b>0.093</b>	0.039
– diluted	10	<b>0.092</b>	0.039

The accompanying notes are an integral part of this condensed interim financial information.

	Note	Six months ended 31 August	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Dividend	9	<b>50,088</b>	-

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2010

	Note	As at 31 August 2010 (Unaudited) HK\$'000	As at 28 February 2010 (Audited) HK\$'000
<b>ASSETS</b>			
Non-current assets			
Furniture and equipment	11	228,946	233,395
Intangible assets	11	261,104	259,823
Investments in and amounts due from jointly controlled entities	12	42,599	39,338
Rental deposits	14	166,754	121,711
Deferred income tax assets		23,104	31,282
		<b>722,507</b>	685,549
Current assets			
Inventories		468,189	394,520
Trade and other receivables	13	92,376	120,080
Amounts due from jointly controlled entities	12	22,883	27,045
Prepayments and other deposits	14	164,259	122,747
Cash and cash equivalents		936,512	622,238
		<b>1,684,219</b>	1,286,630
<b>LIABILITIES</b>			
Current liabilities			
Bank borrowings	18	(347,400)	(47,400)
Trade and bill payables	16	(219,085)	(149,488)
Accruals and other payables	17	(159,416)	(178,245)
Amounts due to jointly controlled entities	12	(34,501)	(22,699)
Derivative financial instruments	15	(839)	(1,001)
Current income tax liabilities		(36,245)	(29,811)
		<b>(797,486)</b>	(428,644)
Net current assets		<b>886,733</b>	857,986
Total assets less current liabilities		<b>1,609,240</b>	1,543,535
Non-current liabilities			
Bank borrowings	18	(11,500)	(35,200)
Other payables	17	(24,377)	(26,030)
Deferred income tax liabilities		-	(4,582)
		<b>(35,877)</b>	(65,812)
Net assets		<b>1,573,363</b>	1,477,723
<b>EQUITY</b>			
Capital and reserves			
Share capital	19	119,256	115,504
Reserves	20	1,454,107	1,362,219
Total equity		<b>1,573,363</b>	1,477,723



**SHAM KAR WAI**  
Chairman



**SHAM KIN WAI**  
Director

The accompanying notes are an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2010

	<b>Share capital (Unaudited)</b> HK\$'000	<b>Reserves (Unaudited)</b> HK\$'000	<b>Total (Unaudited)</b> HK\$'000
Balance at 1 March 2010	115,504	1,362,219	1,477,723
Profit for the period	–	107,874	107,874
Other comprehensive income: – currency translation differences	–	4,279	4,279
Total comprehensive income for the six months ended 31 August 2010	–	112,153	112,153
Transaction with owners:			
Final dividends for the year ended 28 February 2010	–	(121,369)	(121,369)
Issue of scrip shares	3,034	77,784	80,818
Exercise of share options	718	15,415	16,133
Share option scheme – value of employment services	–	7,905	7,905
Total transaction with owners	3,752	(20,265)	(16,513)
Balance at 31 August 2010	<u>119,256</u>	<u>1,454,107</u>	<u>1,573,363</u>
Balance at 1 March 2009	115,504	1,096,205	1,211,709
Profit for the period	–	44,770	44,770
Other comprehensive expense: – currency translation differences	–	(2,168)	(2,168)
Total comprehensive income for the six months ended 31 August 2009	–	42,602	42,602
Transaction with owners:			
Share option scheme – value of employment services	–	3,425	3,425
Balance at 31 August 2009	<u>115,504</u>	<u>1,142,232</u>	<u>1,257,736</u>

The accompanying notes are an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2010

	<b>Six months ended 31 August</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<b>110,009</b>	66,140
Net cash used in investing activities	<b>(47,415)</b>	(36,653)
Net cash generated from/(used in) financing activities	<b>252,009</b>	(22,950)
Net increase in cash and cash equivalents	<b>314,603</b>	6,537
Currency translation differences	<b>(329)</b>	(686)
Cash and cash equivalents, at 1 March	<b>622,238</b>	441,264
Cash and cash equivalents, at 31 August	<b>936,512</b>	447,115
Analysis of cash and cash equivalents:		
Cash and bank deposits	<b>936,512</b>	447,115

The accompanying notes are an integral part of this condensed interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

The Company is listed on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by Board of Directors on 28 October 2010.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

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").

## 3 ACCOUNTING POLICIES

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.

## 4 TURNOVER AND SEGMENT INFORMATION

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

The chief operating decision maker has been identified as the board of directors that makes strategic decisions. The board of directors 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 of directors considers the business from geographic perspective and assesses the performance of the geographical segments 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 of directors is measured in a manner consistent with that in the financial statements.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 4 TURNOVER AND SEGMENT INFORMATION (Continued)

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

## 5 OTHER (LOSSES)/GAINS

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

## 6 EXPENSES BY NATURE

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 7 FINANCE INCOME, NET

	<b>Six month ended 31 August</b>	
	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2009 (Unaudited) HK\$'000
Interest income from		
– bank deposits	<b>972</b>	525
– amounts due from jointly controlled entities	<b>304</b>	128
– others <sup>①</sup>	<b>1,366</b>	1,960
	<hr/>	<hr/>
Finance income	<b>2,642</b>	2,613
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Interest expense on		
– bank borrowings wholly repayable within five years	<b>(702)</b>	(1,685)
	<hr/>	<hr/>
Finance costs	<b>(702)</b>	(1,685)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net finance income	<b>1,940</b>	928
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Note:

<sup>①</sup> These represent the interests arisen from the amortisation of financial assets and liabilities recognised at amortised cost.

## 8 INCOME TAX EXPENSE

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

Hong Kong 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:

	<b>Six months ended 31 August</b>	
	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2009 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	<b>17,612</b>	14,397
– Mainland China enterprise income tax	<b>4,476</b>	401
Deferred income tax	<b>3,753</b>	(3,496)
	<hr/>	<hr/>
	<b>25,841</b>	11,302
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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%).

## 9 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 of directors 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 10 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.

	<b>Six months ended 31 August</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<b>107,874</b>	44,770
Weighted average number of ordinary shares in issue ('000)	<b>1,156,655</b>	1,155,037
Basic earnings per share (HK\$)	<b>0.093</b>	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.

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

## 11 FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Furniture and equipment (Unaudited)</b>	<b>Intangible assets (Unaudited)</b>
	HK\$'000	HK\$'000
<b>Six months ended 31 August 2010</b>		
Opening net book amount as at 1 March 2010	233,395	259,823
Additions	53,196	1,904
Disposals	(2,452)	–
Depreciation and amortisation	(55,634)	(2,833)
Exchange differences	441	2,210
Closing net book amount as at 31 August 2010	<b>228,946</b>	<b>261,104</b>
<b>Six months ended 31 August 2009</b>		
Opening net book amount as at 1 March 2009	229,124	267,633
Additions	39,130	629
Disposals	(826)	–
Depreciation and amortisation	(66,400)	(2,535)
Impairment of goodwill	–	(4,145)
Exchange differences	(2,607)	(1,078)
Closing net book amount as at 31 August 2009	<b>198,421</b>	<b>260,504</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES

	<b>As at 31 August 2010 (Unaudited) HK\$'000</b>	As at 28 February 2010 (Audited) HK\$'000
Share of net assets	33,987	29,863
Amounts due from jointly controlled entities	34,630	39,079
Less: provision for impairment of amount due from a jointly controlled entity	(3,135)	(2,559)
	<u>31,495</u>	<u>36,520</u>
Less: current portion of amounts due from jointly controlled entities	(22,883)	(27,045)
	<u>42,599</u>	<u>39,338</u>
Amounts due to jointly controlled entities	<u>(34,501)</u>	<u>(22,699)</u>

### (a) Balances with jointly controlled entities

<b>Name</b>	<b>As at 31 August 2010 (Unaudited) HK\$'000</b>	As at 28 February 2010 (Audited) HK\$'000
<b>Due from jointly controlled entities</b>		
FCIT China Limited (Note i)	26,431	31,150
ZIT H.K. Limited (Notes ii & iii)	3,549	4,004
Glory Premium Limited (Note iii)	1,515	1,366
	<u>31,495</u>	<u>36,520</u>
<b>Due to jointly controlled entities</b>		
FCUK IT Company (Note iii)	(4,425)	(3,727)
Kenchart Apparels (Shanghai) Limited (Note iii)	(30,076)	(18,972)
	<u>(34,501)</u>	<u>(22,699)</u>

Notes:

- (i) The amount due from FCIT China Limited of approximately HK\$5,097,000 (28 February 2010: HK\$5,545,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount carries at amortised cost using the effective interest rate at 5% per annum (28 February 2010: 5% per annum). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount due from ZIT H.K. Limited of approximately HK\$3,515,000 (28 February 2010: HK\$3,930,000) is unsecured, interest bearing at 5% per annum (28 February 2010: 5% per annum) and fully repayable at the termination of the joint venture.
- (iii) The remaining balances with jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES (Continued)

### (b) Details of the principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK\$2	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding
Kenchart Apparels (Shanghai) Limited	Mainland China	HK\$28,827,070	50%	Retail of fashion wears and accessories
FCIT (Macau) Limited	Macau	HK\$1,679,492	50%	Retail of fashion wears and accessories

## 13 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	<u>50,862</u>	<u>77,611</u>
Other receivables	41,514	42,469
Less: provision for impairment of other receivables	–	–
Other receivables, net	<u>41,514</u>	<u>42,469</u>
Trade and other receivables	<u><u>92,376</u></u>	<u><u>120,080</u></u>

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
	<u><u>50,862</u></u>	<u><u>77,611</u></u>

The carrying amounts of trade receivables approximate their fair values.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 14 PREPAYMENTS AND OTHER DEPOSITS

	<b>As at 31 August 2010 (Unaudited) HK\$'000</b>	As at 28 February 2010 (Audited) HK\$'000
Rental deposits	216,640	173,034
Prepayments	87,073	58,383
Utilities and other deposits	27,300	13,041
	<u>331,013</u>	<u>244,458</u>
Less: non-current portion of rental deposits	<u>(166,754)</u>	<u>(121,711)</u>
	<u><b>164,259</b></u>	<u>122,747</u>

## 15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as derivatives at fair value through profit or loss. As at 31 August 2010, the notional amounts of the outstanding forward currency exchange contracts to buy Euros for hedging against foreign exchange risk exposures relating to purchase orders of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK\$30,169,000 (28 February 2010: HK\$60,109,000). The remaining maturities of these contracts are within two months from the balance sheet date.

## 16 TRADE AND BILL PAYABLES

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

	<b>As at 31 August 2010 (Unaudited) HK\$'000</b>	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
	<u>219,085</u>	<u>149,488</u>

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

## 17 ACCRUALS AND OTHER PAYABLES

	<b>As at 31 August 2010 (Unaudited) HK\$'000</b>	As at 28 February 2010 (Audited) HK\$'000
Unutilised coupon	482	763
Accruals		
– Rented premises	89,744	86,729
– Employment costs	41,049	58,700
– Others	12,216	16,454
Other payables	40,302	41,629
	<u>183,793</u>	<u>204,275</u>
Less:		
Non-current portion		
– Accruals: rented premises	<u>(24,377)</u>	<u>(26,030)</u>
	<u><b>159,416</b></u>	<u>178,245</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 18 BANK BORROWINGS

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

Movements in bank borrowings are analysed as follows:

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

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).

Details of the Group's banking facilities are set out in Note 21.

## 19 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 shares (28 February 2010: 3,000,000,000 shares) with a par value of HK\$0.1 per share (28 February 2010: HK\$0.1 per share).

	<b>Number of ordinary shares '000</b>	<b>Nominal value HK\$'000</b>
Issued and fully paid:		
<b>At 1 March 2010</b> (Audited)	1,155,037	115,504
Issue of scrip shares	30,337	3,034
Exercise of share options	7,189	718
<b>At 31 August 2010</b> (Unaudited)	<b>1,192,563</b>	<b>119,256</b>
<b>At 1 March 2009</b> (Audited) and <b>31 August 2009</b> (Unaudited)	<b>1,155,037</b>	<b>115,504</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 19 SHARE CAPITAL (Continued)

### Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2010. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August		2009	
	2010			
	Exercise price per share HK\$	Options ('000)	Exercise price per share HK\$	Options ('000)
Beginning of the period	1.82	104,400	2.21	63,800
Exercised	2.25	(7,189)	–	–
Adjustment due to issuance of scrip shares	1.74	2,343	–	–
Forfeited	2.25	(600)	1.75	(14,400)
End of the period	1.74	98,954	2.34	49,400

The weighted average closing price was HK\$3.07 per share at the dates immediately before the dates on which the options were exercised.

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

Expiry date	Exercise price per share before issue of scrip shares	Exercise price after issue of scrip shares	Share options ('000)	
	HK\$	HK\$	As at 31 August 2010	As at 31 August 2009
13 April 2011	2.37	2.31	12,843	16,960
13 April 2012	2.35	2.30	14,521	16,220
13 April 2013	2.35	2.29	15,267	16,220
27 December 2019	1.26	1.23	33,794	–
11 February 2020	1.46	1.43	22,529	–
			98,954	49,400

Pursuant to issue of scrip shares set out in Note 9, both number of share options outstanding and the exercise prices have been adjusted to compensate the corresponding dilution effect upon issuance of scrip shares.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 20 RESERVES

	Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign exchange translation (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2010	700,699	26,742	32,337	41,645	560,796	1,362,219
Share option scheme						
– value of employment services	–	7,905	–	–	–	7,905
Profit for the period	–	–	–	–	107,874	107,874
Final dividend for the year ended 28 February 2010	–	–	–	–	(121,369)	(121,369)
Forfeiture of share options	–	(292)	–	–	292	–
Exercise of share options	18,672	(3,257)	–	–	–	15,415
Issue of scrip shares	77,784	–	–	–	–	77,784
Currency translation differences						
– Group	–	–	–	4,077	–	4,077
– Jointly controlled entities	–	–	–	202	–	202
Balance at 31 August 2010	<u>797,155</u>	<u>31,098</u>	<u>32,337</u>	<u>45,924</u>	<u>547,593</u>	<u>1,454,107</u>
Representing:						
Proposed interim dividend					50,088	
Others					497,505	
					<u>547,593</u>	
Balance at 1 March 2009	700,699	24,618	32,337	45,722	292,829	1,096,205
Share option scheme						
– value of employment services	–	3,425	–	–	–	3,425
Profit for the period	–	–	–	–	44,770	44,770
Forfeiture of share options	–	(5,279)	–	–	5,279	–
Currency translation differences						
– Group	–	–	–	(2,171)	–	(2,171)
– Jointly controlled entities	–	–	–	3	–	3
Balance at 31 August 2009	<u>700,699</u>	<u>22,764</u>	<u>32,337</u>	<u>43,554</u>	<u>342,878</u>	<u>1,142,232</u>

## 21 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2010, the Group had aggregate banking facilities of approximately HK\$796,423,000 (28 February 2010: HK\$496,350,000) for overdrafts, bank loans and trade financing, of which approximately HK\$240,377,000 (28 February 2010: HK\$310,075,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 22 COMMITMENTS

### (a) Lease commitments

The Group leases various retail shops, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimal lease payments are as follows:

	<b>As at 31 August 2010 (Unaudited) HK\$'000</b>	As at 28 February 2010 (Audited) HK\$'000
Not later than one year	<b>628,196</b>	507,772
Later than one year and not later than five years	<b>1,119,335</b>	713,117
Later than five years	<b>93,090</b>	8,381
	<b><u>1,840,621</u></b>	<u>1,229,270</u>

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

### (b) Capital commitment

The Group has entered into a purchase agreement for the office premises located in Hong Kong at a total consideration of HK\$227,715,000, of which a deposit of HK\$11,386,000 has been paid and recorded under "Prepayments and other deposits". As of 31 August 2010, total capital commitment in relation to this transaction amounted to HK\$216,329,000 and the transaction has been completed in October 2010.

## 23 RELATED PARTY TRANSACTIONS

(a) As at 31 August 2010, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 58.57% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai.

(b) Details of significant transactions with related parties:

	<b>Six months ended 31 August 2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Commission income from a jointly controlled entity	<b>232</b>	42
Interest income from jointly controlled entities	<b>304</b>	128
Reimbursement of operating expenses by jointly controlled entities	<b>2,713</b>	2,170
	<b><u>2,713</u></b>	<u>2,170</u>

### (c) Key management compensation

	<b>Six months ended 31 August 2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Directors' fees	-	-
Salaries and allowances	<b>16,776</b>	16,627
Bonus	<b>793</b>	424
Pension costs – employer's contributions to a defined contribution plan	<b>369</b>	345
Share options granted	<b>6,514</b>	2,869
	<b><u>24,452</u></b>	<u>20,265</u>

## 24 SEASONALITY

The sales for fashion wears and accessories are subject to seasonal fluctuations, with higher sales amount in the third and fourth quarters of the financial year. This is due to seasonal weather conditions and holiday periods.

# MANAGEMENT DISCUSSION AND 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		Change	Six months ended 31 August	
	2010 HK\$ million	2009 HK\$ million		2010	2009
Hong Kong	<b>1,054.0</b>	879.9	+19.8%	<b>70.3%</b>	70.9%
Mainland China	<b>391.8</b>	322.2	+21.6%	<b>26.1%</b>	25.9%
Others	<b>54.0</b>	39.5	+36.7%	<b>3.6%</b>	3.2%
	<b><u>1,499.8</u></b>	<u>1,241.6</u>	+20.8%	<b><u>100.0%</u></b>	<u>100.0%</u>

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:**

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

	<b>Six months ended 31 August</b>	
	<b>2010</b>	2009
In-house brands	<b>49.8%</b>	46.8%
International brands	<b>46.1%</b>	49.9%
Licensed brands	<b>4.1%</b>	3.3%
	<b>100.0%</b>	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 car parks 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.



## DISCLOSURE OF INTEREST

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 August 2010, the interests or short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### (a) Long positions in the shares of the Company

Director	No. of shares held		Total	Percentage of issued share capital
	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)		
Sham Kar Wai (Note 3)	698,564,441	21,505,050	720,069,491	60.37%
Sham Kin Wai (Note 3)	698,564,441	21,505,050	720,069,491	60.37%

Notes:

- (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the Immediate Holding Companies in the Company.
- (2) Detailed in the section headed "Share Options" below.
- (3) Ms. Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Ms. Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.

#### (b) Long positions in share options of the Company

The interests of the Directors and Chief Executives of the Company in the share options of the Company are detailed in the section headed "Share Options" below.

## DISCLOSURE OF INTEREST (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

#### (c) Long positions in the shares of associated corporations of the Company

Director	Name of associated corporations	Capacity	Percentage of shareholding
Sham Kar Wai	3WH Limited	Beneficial owner	50% (Note 1)
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interest in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of trust	100%
	Fresh Start Holdings Limited	Beneficiary of trust	100%
	Fortune Symbol Limited	Beneficiary of trust	100%
	Fine Honour Limited	Beneficiary of trust	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of trust	100%
	Fresh Start Holdings Limited	Beneficiary of trust	100%
	Fortune Symbol Limited	Beneficiary of trust	100%
	Fine Honour Limited	Beneficiary of trust	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%

Note:

- (1) Mr. Sham Kar Wai and Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) each holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to be interested in same number of shares held by Ms. Yau Shuk Ching, Chingmy.

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 August 2010.

## **DISCLOSURE OF INTEREST** (Continued)

### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Apart from those disclosed in the section headed "Share Options" under this report on page 36, at no time during the period ended 31 August 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any body corporate.

### **SHARE OPTIONS**

#### **The First Share Option Scheme**

The Company adopted a share option scheme (the "First Share Option Scheme") on 3 February 2005, pursuant to which the Company may grant options to eligible participants as defined in the First Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$10 is payable on acceptance of the grant of options.

No participant with options granted is in excess of the individual limit as stipulated in the First Share Option Scheme.

The First Share Option Scheme ought to remain in force for a period of 10 years up to February 2015. At the 2008 annual general meeting of the Company held on 30 June 2008, the shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme"), detailed hereinafter, and the termination of the First Share Option Scheme.

The operation of the First Share Option Scheme was terminated with effect from the conclusion of the 2008 annual general meeting. No further options could thereafter be offered under the First Share Option Scheme but the provisions of the First Share Option Scheme would remain in full force and effect. Options granted under the First Share Option Scheme and remain unexpired prior to the termination of the First Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the First Share Option Scheme.

#### **The New Share Option Scheme**

Pursuant to the New Share Option Scheme, the Company may grant options to eligible participants as defined in the New Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$10 is payable on acceptance of the grant of options. The New Share Option Scheme will remain in force for a period of 10 years up to June 2018.

No participant with options granted is in excess of the individual limit as stipulated in the New Share Option Scheme.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the First Share Option Scheme, the New Share Option Scheme and any other scheme adopted by the Group from time to time would not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

## DISCLOSURE OF INTEREST (Continued)

### SHARE OPTIONS (Continued)

Details of the movements in share options to subscribe for shares in the Company during the period ended 31 August 2010 are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$ (Note 1)	Number of share options (Note 1)			Held as at 31 August 2010	Note
				As at 1 March 2010	Exercised during the period	Lapsed during the period		
<b>Director</b>								
Sham Kar Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	10,000,000	–	–	10,240,500	2
	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,000,000	–	–	11,264,550	3
Sham Kin Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	10,000,000	–	–	10,240,500	2
	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,000,000	–	–	11,264,550	3
<b>Continuous contract employees</b>	14 April 2008	14 April 2008 to 13 April 2013	2.20	29,400,000	(7,189,215)	(600,000)	22,150,320	4
	28 December 2009	28 December 2011 to 27 December 2019	1.23	33,000,000	–	–	33,793,650	5
				<u>104,400,000</u>	<u>(7,189,215)</u>	<u>(600,000)</u>	<u>98,954,070</u>	

Notes:

(1) Some shareholders elected to receive scrip shares in lieu of the cash final dividend for the year ended 28 February 2010. The exercise price and the number of outstanding share options were adjusted on 27 August 2010 subsequent to the allotment of the scrip shares (the "Adjustment").

(2) The exercise price was adjusted from HK\$2.47 to HK\$2.41 on 27 August 2010. The vesting dates and exercisable periods of the options are as follows:

Vesting date	Exercise period	Number of share options (before the Adjustment)	Number of share options (after the Adjustment)
14 April 2008	14 April 2008 to 13 April 2011	3,340,000	3,420,328
14 April 2009	14 April 2009 to 13 April 2012	3,330,000	3,410,086
14 April 2010	14 April 2010 to 13 April 2013	3,330,000	3,410,086
		<u>10,000,000</u>	<u>10,240,500</u>

(3) The exercise price was adjusted from HK\$1.46 to HK\$1.43 on 27 August 2010.

(4) The exercise price was adjusted from HK\$2.25 to HK\$2.20 on 27 August 2010. The vesting dates and exercisable periods of the options are as follows:–

Vesting date	Exercise period	As at 1 March 2010	Lapsed during 1 March 2010 to 27 August 2010	Exercised during 1 March 2010 to 26 August 2010 (at the exercise price of HK\$2.25) (Note (a))	Adjustment on 27 August 2010	Exercised during 27 August 2010 to 31 August 2010 (at the exercise price of HK\$2.20) (Note (b))	As at 31 August 2010
14 April 2008	14 April 2008 to 13 April 2011	10,280,000	(220,000)	(3,890,000)	148,392	(316,253)	6,002,139
14 April 2009	14 April 2009 to 13 April 2012	9,560,000	(190,000)	(1,580,000)	187,347	(276,000)	7,701,347
14 April 2010	14 April 2010 to 13 April 2013	9,560,000	(190,000)	(896,000)	203,796	(230,962)	8,446,834
		<u>29,400,000</u>	<u>(600,000)</u>	<u>(6,366,000)</u>	<u>539,535</u>	<u>(823,215)</u>	<u>22,150,320</u>

(a) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.98.

(b) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.81.

(5) The exercise price was adjusted from HK\$1.26 to HK\$1.23 on 27 August 2010.

## DISCLOSURE OF INTEREST (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 August 2010, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

#### Long positions in the Shares of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital
Effective Convey Limited (Note 1)	Beneficial owner and interest in corporation	698,564,441	58.57%
Dynamic Vitality Limited (Note 2)	Interest in corporation	698,564,441	58.57%
The ABS 2000 Trust (Notes 1, 2 and 3)	Interest in corporation	698,564,441	58.57%
HSBC International Trustee Limited (Note 3)	Interest in corporation	698,564,441	58.57%
Fine Honour Limited	Beneficial owner	169,197,830	14.18%
Glorious Sun Trading (HK) Limited	Beneficial owner	102,827,473	8.62%
Glorious Sun Enterprises (BVI) Limited (Note 4)	Interest in corporation	102,827,473	8.62%
Glorious Sun Enterprises Limited (Note 4)	Interest in corporation	102,827,473	8.62%
Glorious Sun Holdings (BVI) Limited (Note 5)	Interest in corporation	102,827,473	8.62%
Yeung Chun Kam (Note 5)	Interest in controlled company	102,827,473	8.62%
Yeung Chun Fan (Note 5)	Interest in controlled company	102,827,473	8.62%
Cheung Wai Yee (Note 6)	Interest in controlled company	102,827,473	8.62%
Fortune Symbol Limited	Beneficial owner	60,028,130	5.03%
Fresh Start Holdings Limited	Beneficial owner	60,028,130	5.03%
Sure Elite Limited	Beneficial owner	60,028,130	5.03%

#### Notes:

1. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies.
2. Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. Each of Dynamic Vitality Limited and The ABS 2000 Trust is therefore deemed interested in the Shares held by Effective Convey Limited.
3. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.
4. Glorious Sun Trading (HK) Limited is a wholly-owned subsidiary of Glorious Sun Enterprises (BVI) Limited, which is wholly-owned by Glorious Sun Enterprises Limited. Each of Glorious Sun Enterprises (BVI) Limited and Glorious Sun Enterprises Limited is therefore deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
5. Glorious Sun Holdings (BVI) Limited holds 37.47% interest in Glorious Sun Enterprises Limited. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan respectively holds 51.93% and 48.07% interest in Glorious Sun Holdings (BVI) Limited. Therefore, each of Glorious Sun Holdings (BVI) Limited, Dr. Yeung Chun Kam and Mr. Yeung Chun Fan is deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
6. Spouse of Mr. Yeung Chun Fan.

## OTHER INFORMATION

### 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.

### 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.

### DISCLOSURE OF DIRECTORS' INFORMATIONS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 28 February 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
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*Independent Non-executive Director*

Dr. Wong Tin Yau, Kelvin

Appointed as a Council Member of The Hong Kong Management Association with effect from 6 July 2010

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### 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.

### 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.

On Behalf of the Board



**Sham Kar Wai**

Chairman

Hong Kong, 28 October 2010

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