I.T

I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2005

- **Sales reached HK$568.1 million, increased 37.4%**
- **Gross profit was HK$338.7 million, increased 33.8%**
  Due to expansion in wholesale business, gross profit margin was 59.6%, dropped 1.6%
- **EBITDA was HK$72.4 million, increased 26.6%**
  EBITDA as a percentage of sales was 13.0%, dropped 0.8%
- **Net profit was HK$30.2 million, dropped 8.3%**
  EPS was HK$0.029
- **Application of new accounting standards has resulted in a share-based compensation of HK$13.7 million charged to and changes in fair value of financial instruments and assets of HK$0.3 million credited to income statement**
  If not applying the new accounting standards, net profit would have been HK$43.6 million, increased 32.5% and EPS would have been HK$0.042
- **Weighted average sales footage was 250,400 sq. ft., increased 34.9%**
- **Rental expenses as a percentage of total sales was 22.9%, increased 1.1%**
- **Staff costs (share-based compensation excluded) as a percentage of total sales was 17.6%, increased 0.1%**

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 2005, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 31 August**	
		2005	2004
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
Sales	*3*	**568,067**	413,318
Cost of sales	*5*	**(229,363)**	(160,200)
Gross profit		**338,704**	253,118
Other gains	*4*	**9,443**	4
Operating expenses	*5*	**(306,723)**	(204,617)
Operating profit		**41,424**	48,505
Finance costs	*6*	**(967)**	(1,926)
Share of loss of jointly controlled entities		**(1,947)**	(5,852)
Profit before taxation		**38,510**	40,727
Income tax expense	*7*	**(8,333)**	(7,807)
Profit for the period, attributable to equity holders of the Company		**30,177**	32,920
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK$ per share)			
– basic	*8*	**0.029**	0.049
– diluted	*8*	**0.029**	0.045

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 August 2005 (Unaudited) *HK$'000*	As at 28 February 2005 (As restated) *HK$'000*
ASSETS		
Non-current assets		
Furniture and equipment	**78,017**	62,043
Interests in jointly controlled entities	**45,366**	62,150
Rental deposits	**48,154**	40,858
Deferred income tax assets	**3,726**	2,642
	175,263	167,693
Current assets		
Inventories	**156,134**	101,194
Accounts receivable	**3,975**	9,840
Amount due from a jointly controlled entity	**30,490**	–
Prepayments, deposits and other receivables	**32,450**	29,304
Pledged bank deposits	**750**	17,750
Cash at bank and on hand	**398,164**	561,983
	621,963	720,071
LIABILITIES		
Current liabilities		
Borrowings	**255**	130,461
Accounts and bills payable	**61,372**	40,873
Accruals and other payables	**61,756**	55,396
Derivative financial instruments	**4,693**	–
Current income tax liabilities	**13,139**	9,358
	141,215	236,088
Net current assets	**480,748**	483,983
Total assets less current liabilities	**656,011**	651,676
Non-current liabilities		
Borrowings	**–**	51,640
Deferred income tax liabilities	**2,354**	925
	2,354	52,565
Net assets	**653,657**	599,111
EQUITY		
Capital and reserve attributable to the Company's equity holders		
Share capital	**103,750**	100,000
Reserves	**549,907**	499,111
Total equity	**653,657**	599,111

NOTES:

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information 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.

This condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 28 February 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 28 February 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. **Changes in accounting policies**

(a) *Effect of adopting new HKFRS*

For the six months ended 31 August 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 31, 33, 36 and HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of share of net after-tax results of jointly controlled entities and other disclosures;

– HKASs 2, 7, 8, 10, 16, 17, 23, 27, 31, 33, 36 and HKAS-Int 15 and HKFRS 3 had no material effect on the Group's policies;

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements; and

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and loans and receivables. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 28 February 2005, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 March 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 March 2005 was expensed retrospectively in the income statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of furniture and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for Investments in Securities" to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, where appropriate, are determined and recognised at 1 March 2005;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 March 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 March 2005; and

– HKFRS 3 – prospectively after the adoption date.

(i) The adoption of HKFRS 2 resulted in:

	As at 31 August 2005	As at 28 February 2005
	HK$'000	*HK$'000*
Increase in share premium	**14,962**	1,293
Decrease in retained profits	**14,962**	1,293

	Year ended 28 February 2005	**Six months ended 31 August 2005**	**Six months ended 31 August** 2004
	HK$'000	***HK$'000***	*HK$'000*
Increase in employment costs	395	**6,161**	–
Increase in consultancy fee	898	**7,508**	–
Decrease in basic earnings per share (expressed in HK$)	0.002	**0.013**	–
Decrease in diluted earnings per share (expressed in HK$)	0.002	**0.013**	–

There was no impact on opening retained profits at 1 March 2004 from the adoption of HKFRS 2.

(ii) The adoption of HKAS 39 resulted in a decrease in retained profits at 1 March 2005 by approximately HK$13,145,000 and the details of the adjustments to the balance sheet at 31 August 2005 are as follows:

	As at 31 August 2005
	HK$'000
Increase in rental deposits	**33**
Decrease in amounts due from jointly controlled entities	**12,274**
Increase in inventories	**1,281**
Increase in derivative financial instruments (liabilities)	**4,693**
Decrease in retained profits	**12,821**
Increase in hedging reserve	**2,832**

3. Sales and segment information

(a) Analysis of sales by category

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Sales of fashion wears and accessories	**566,221**	413,318
Royalty income	**1,846**	–
	568,067	413,318

(b) Segment information

No segment analysis for business segment is presented as the Group principally operated in one business segment, which was the sales of fashion wears and accessories.

No segment analysis for geographical segment is presented as substantially all of the Group's sales, operating results, assets and liabilities were located in Hong Kong.

4. Other gains

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Derivative instruments – forward currency contracts: transactions not qualifying as hedges and ineffective portion of changes in fair values	**(580)**	–
Interest income	**10,023**	4
	9,443	4

5. Expenses by nature

Expenses included in cost of sales and operating expenses are analysed as follows:

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Charging		
Cost of inventories sold	**229,415**	159,913
Write-downs of inventories to net realisable value	**–**	605
Employment costs (including directors' emoluments)	**106,359**	72,141
Operating lease rentals of premises	**109,216**	76,792
Advertising and promotion costs	**6,199**	5,691
Depreciation of furniture and equipment	**17,622**	8,661
Crediting		
Net exchange gain	**2,726**	1,433
Reversal of write-downs of inventories to net realisable value	**1,935**	–

6. Finance costs

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Interest on bank borrowings – wholly repayable within five years	**967**	1,926

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period.

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Current income tax – Hong Kong profits tax	**7,988**	8,359
Deferred income tax	**345**	(552)
	8,333	7,807

8. **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**30,177**	32,920
Weighted average number of ordinary shares in issue ('000)	**1,032,405**	672,075
Basic earnings per share (HK$ per share)	**0.029**	0.049

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. The Company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible notes are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 August	
	2005	2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**30,177**	32,920
Interest expense on convertible notes (net of tax)	**–**	1,117
Profit used to determine diluted earnings per share	**30,177**	34,037
Weighted average number of ordinary shares in issue ('000)	**1,032,405**	672,075
Adjustments for		
– assumed conversion of convertible notes ('000)	**–**	77,925
– share options ('000)	**6,539**	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,038,944**	750,000
Diluted earnings per share (HK$ per share)	**0.029**	0.045

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (six months ended 31 August 2004: Nil) and proposes that the profit for the period be retained.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sales from retail shop operations increased by 32.2% to HK$532.9 million for the six months ended 31 August 2005 (six months ended 31 August 2004: HK$403.2 million). Excluding sales to G.S-i.t Limited ("GSIT"), the 50% owned joint venture involved in the PRC business, the gross margin was maintained at 62.7% (six months ended 31 August 2004: 62.5%). If not applying the new accounting standards, net profit would have increased by 32.5% to HK$43.6 million for the six months ended 31 August 2005 (six months ended 31 August 2004: HK$32.9 million).

The unfavourable weather in March, June and August 2005 dampened retail sales in Hong Kong. As a result, the Company's comparable stores sales increased only slightly by 0.3% as compared to the same period in last year. However, the Company maintained its stable pace of growth. Weighted average sales footage for stores in operation for the six months ended 31 August 2005 increased by 34.9% to 250,400 sq. ft. (six months ended 31 August 2004: 185,700 sq. ft.).

Sales of apparels from international brands accounted for 43.9% (six months ended 31 August 2004: 43.4%) of the total sales, contributing HK$249.4 million for the six months ended 31 August 2005. During the period under review, the Company brought, amongst other brands, Beams Boy, an icon of Japanese street fashion, to Hong Kong and stirred considerable interest among fashion-lovers.

Sales of apparels from in-house and licensed brands accounted for 49.9% (six months ended 31 August 2004: 52.3%) of total sales, contributing HK$283.4 million for the six months ended 31 August 2005. In-house brands http://www.izzue.com, b+ab and 5cm remained the top selling brands in the Company's in-house brand portfolio.

During the six months ended 31 August 2005, rental expenses (including rental expenses, building management fees and government rates) as a percentage of total sales increased slightly to 22.9% (six months ended 31 August 2004: 21.8%), as a result of increased rental costs.

In the first half of fiscal year 2006, staff costs (share-based compensation excluded), advertising and promotion expenses and other operating overheads as a percentage of total sales were all maintained at a stable level of 17.6%, 1.1% and 6.7% respectively (six months ended 31 August 2004: 17.5%, 1.4% and 6.8% respectively).

GSIT continued its strong performance in the PRC, with increased brand recognition of I.T among the public in the PRC. Subsequent to the opening of a 21,000 sq. ft. store at Oriental Plaza, Beijing, another multi-brand store with a floor area of 23,000 sq. ft. was opened in Plaza 66, Shanghai, in June 2005 housing both international designers' labels as well as the Company's in-house and licensed brands. This mega store concept is well-liked by both customers and franchisees. As at 31 August 2005, GSIT had 115 points of sales (including 6 fcuk stores) with a sales footage of 167,000 sq. ft. in the PRC and 14 stores in Taiwan (six months ended 31 August 2004: 54 points of sales with a sales footage of 78,600 sq. ft. in the PRC and 5 stores in Taiwan).

Share-based Compensation and Changes in Fair Value of Financial Instruments and Assets

For the six months ended 31 August 2005, share-based compensation of HK$13.7 million was charged to and changes in fair value of financial instruments and assets of HK$0.3 million was credited to the income statement (six months ended 31 August 2004: Nil).

Operating Expenses

Operating expenses increased by 50.0% to HK$306.7 million for the six months ended 31 August 2005 (six months ended 31 August 2004: HK$204.6 million). If not applying the new accounting standards, the operating expenses for the current period would have increased by 42.7% to HK$292.5 million for the six months ended 31 August 2005 (six months ended 31 August 2004: HK$204.6 million). The increase was mainly due to the opening of new shops. The number of shops (excluding fcuk stores) as at 31 August 2005 increased to 149 (31 August 2004: 102 shops).

Operating Profit and Earnings before Interest, Taxation, Depreciation and Amortisation Expenses (EBITDA)
EBITDA for the six months ended 31 August 2005 increased by 26.6% to HK$72.4 million (six months ended 31 August 2004: HK$57.2 million). EBITDA as a percentage of sales decreased by 0.8% to 13.0% for the six months ended 31 August 2005 (six months ended 31 August 2004: 13.8%). The decrease was partially due to the increase in rental related expenses as a percentage of sales.

Operating profit decreased by 14.6% to HK$41.4 million for the six months ended 31 August 2005 (six months ended 31 August 2004: HK$48.5 million). If not applying the new accounting standards, operating profit for the six months ended 31 August 2005 would have increased by 13.0% to HK$54.8 million (six months ended 31 August 2004: HK$48.5 million).

Share of Results of Jointly Controlled Entities
Share of loss of jointly controlled entities reduced from HK$5.9 million for the six months ended 31 August 2004 to HK$1.9 million for the six months ended 31 August 2005. For the six months ended 31 August 2005, profit was reported from FCUK IT Company whereas the operating result of GSIT continued to improve.

Income Tax Expense
Income tax expense increased from HK$7.8 million for the six months ended 31 August 2004 to HK$8.3 million for the six months ended 31 August 2005. The effective tax rate, expressed as the taxation charge as a percentage of profit before tax excluding share of result of jointly controlled entities increased to 20.6% (six months ended 31 August 2004: 16.8%).

Cash Flows
Net cash generated from operating activities increased from HK$22.8 million for the six months ended 31 August 2004 to HK$51.1 million for the six months ended 31 August 2005. Net cash used for investing activities was HK$59.8 million for the six months ended 31 August 2005, an increase of HK$7.9 million from HK$51.9 million for the six months ended 31 August 2004. For the six months ended 31 August 2005, HK$33.7 million was used for additions to furniture and equipment and HK$24 million was used to finance the operation of jointly controlled entities. Net cash used for financing activities for the six months ended 31 August 2005 was HK$155.1 million. HK$71.3 million was received from the issuance of shares for the six months ended 31 August 2005. For the six months ended 31 August 2005, HK$44.6 million of dividends were paid to shareholders and long-term bank loans of HK$145 million were repaid.

Inventory
Inventory turnover days for the six months ended 31 August 2005 were 102 days, an increase of 8 days from 94 days for the six months ended 31 August 2004. The increase in inventory level for the six months ended 31 August 2005 was mainly due to the increase in sales footage and more products being stocked for the coming seasons in the second half of the year.

Liquidity and Capital Resources
As at 31 August 2005, total cash and bank balances amounted to HK$398.9 million (28 February 2005: HK$579.7 million) and total liabilities were HK$143.6 million (28 February 2005: HK$288.7 million). As at 31 August 2005, shareholders' equity was HK$653.7 million (28 February 2005: HK$599.1 million).

As at 31 August 2005, the Group had aggregate banking facilities of approximately HK$365.0 million (28 February 2005: HK$369.1 million) for overdrafts, bank loans and trade financing, of which approximately HK$302.8 million (28 February 2005: HK$122.2 million) was unutilised.

As at 31 August 2005, charges on assets amounted to HK$1.1 million, comprising bank deposits of HK$0.8 million and inventories of HK$0.3 million held under trust receipts bank loan arrangements, to cover banking facilities in the ordinary course of business (28 February 2005: HK$54.9 million, comprising bank deposits of HK$17.8 million and inventories of HK$37.1 million held under trust receipts bank loan arrangements).

The Company had bank borrowings of HK$0.3 million as at 31 August 2005 (28 February 2005: HK$182.1 million). The current ratio as at 31 August 2005 was 4.4 (28 February 2005: 3.1).

Foreign Exchange Risk Management
The Group is exposed to foreign exchange risk arising from the exposure of various currency against Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China.

To manage their foreign exchange risk arising from certain future commercial transactions, recognised assets and liabilities, entities in the Group used forward currency contracts, transacted with external financial institutions. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Finance is responsible for managing the net position in each foreign currency by using external forward currency contracts.

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

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

Contingent Liabilities
As at 31 August 2005, letters of guarantee issued by banks in lieu of rental deposits amounted to HK$13.3 million (28 February 2005: HK$12.2 million). Subsequent to 28 February 2005, corporate guarantees in respect of bank loans granted by banks to certain related companies were released.

Use of Proceeds

The proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK$514.9 million. For the six months ended 31 August 2005, net proceeds were utilised in the following manner:

	Per Prospectus *HK$'000*	**Amount Utilised** *HK$'000*	**Balance as at 31 August 2005** *HK$'000*
Expansion of retail network in Hong Kong	320,000	45,497	274,503
Expansion of retail network in the PRC and Taiwan	90,000	20,000	70,000
Repayment of bank loans	95,000	95,000	–
Working capital	9,900	9,900	–
	514,900	170,397	344,503

The unutilised balance was placed in short-term bank deposits in Hong Kong banks.

Employment, Training and Development

The Group had a total of 1,232 employees as at 31 August 2005 (28 February 2005: 1,279). Training courses were organised regularly for employees to enhance technical and product knowledge as well as the industry quality standards. The Group offered competitive remuneration packages to its employees, including basic salaries, allowances, insurance and bonuses. In addition, share options were granted based on the individual's performance.

Future Outlook

In the first half of fiscal year 2006, 37,000 sq.ft. sales footage was added in Hong Kong amounting to a total sales footage of 294,000 sq.ft. (fcuk stores included, operated by FCUK IT Company, a 50% owned joint venture) as at 31 August 2005. This expansion pace was in line with the forecast as stated in the Company's Prospectus.

The opening of the multi-brand store in apm, i.t in Festival Walk, stand-alone stores like Beams Boy and Baby Jane in Paterson Street, Causeway Bay and the new http://www.izzue.com 7,000 sq. ft. concept store in Island Beverley, Causeway Bay have further strengthened the Company's market position. A totally new design I.T multi-brand store will be opened in the premier shopping destination, Pacific Place, in December 2005. This prestigiously located I.T store will further reinforce the Company's brand image.

The Company will continue to introduce attractive imported brands and create new in-house and/or licensed brands to further broaden its customer base.

The Board believes that rental expenses is starting to stabilise yet staff costs are still rising. Taking into consideration of the future rise in interest rate and the possible impacts of Avian Flu, the Company is cautious in its expansion plan in Hong Kong and will maintain a steady pace of growth with stringent cost control measures.

To further develop the PRC market, GSIT will continue to expand its retail network in Beijing and Shanghai and to enter other first tier cities through franchisees. Replicating the mega multi-brand store concept, GSIT has store opening plans in Chengdu, Shenyang, Nanjing and Macau housing the Company's in-house and licensed brands. Nevertheless, the high end and luxurious I.T brand concept is also well received by customers. GSIT will aggressively introduce well-established high end designers' labels and strengthen its brand portfolio. With the increase in sales networks as well as the enhancement in brand portfolio, GSIT will be at a high growth phase from 2006 onwards.

The Company is vigorously looking for opportunities to extend its regional presence. Discussion is currently underway for the Company's in-house brands to be sold in the South East Asia.

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

In the opinion of the Board, the Company has complied with the Code Provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the six months ended 31 August 2005 except for the deviations as mentioned below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr Sham Kar Wai currently holds both positions. The Board believes that vesting the roles of both Chairman 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 Board believes that the balance of power and authority is adequately ensured by the operating of the Board which comprises experienced and high caliber individuals with a substantial number thereof being Non-executive Directors.

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. At the annual general meeting held on 11 August 2005, the shareholders of the Company passed a resolution amending the Company's Bye-laws in order to comply with this provision. Prior to the amendment, the Chairman of the Board and/or the Managing Director of the Company was not, whilst holding such office, subject to retirement by rotation.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. All Directors have confirmed that, in respect of the six months ended 31 August 2005, 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 and interim report for the six months ended 31 August 2005.

The interim financial report for the six months ended 31 August 2005 has also been reviewed by PricewaterhouseCoopers, the Company's independent auditors, whose review report will be included in the interim report to be sent to the shareholders of the Company.

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 2005.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the website of the Stock Exchange.

The interim report for the six months ended 31 August 2005 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

As at the date of this announcement, the Board comprises Mr SHAM Kar Wai, Mr SHAM Kin Wai and Mr CHAN Wai Mo, Alva as Executive Directors, Dr YEUNG Chun Kam, Charles S.B.S. J.P. as Non-executive Director, and Mr CHAN Mo Po, Paul, Dr LO Wing Yan, William J.P., and Mr WONG Wai Ming as Independent Non-executive Directors.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 8 November 2005

"Please also refer to the published version of this announcement in South China Morning Post."