I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2008

- Total revenue of the Group increased by 46.1% to HK$1,180.2 million.
- Gross profit margin of the Group's retail operation maintained at 60.7% despite a softening economy and an increasingly competitive marketplace.
- EBITDA decreased by 17.7% to HK$69.6 million. However, if discretionary expenses related to the 20th anniversary program as well as non-cash share option expenses are excluded, EBITDA will have increased by 14.8% to HK$97.1 million instead.
- Total retail sales in Hong Kong increased by 18.0% to HK$886.7 million, and comparable store sales increased by 5.8%.
- In Renminbi terms, total retail sales in Mainland China increased by 27.8% to RMB212.0 million, and comparable store sales increased by 15.5%. Mainland operations financials improved and achieved breakeven in the 1st half while the Taiwan business has turned to be slightly profitable.
- Net profit dropped by 66.0% to HK$15.0 million. The decrease was mainly due to the increase in non-cash expenses such as share options expenses and discretionary spending on advertising and promotion as well as the significant decrease in interest and other income in the low interest rate environment. If these factors are excluded, net profit of the Group's operating business should have dropped much less.

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 2008, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 31 August	
		2008	2007
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	2	**1,180,230**	807,970
Cost of sales	4	**(462,733)**	(340,833)
Gross profit		**717,497**	467,137
Other (losses)/gains	3	**(9,668)**	1,369
Operating expenses	4	**(691,922)**	(424,393)
Operating profit		**15,907**	44,113
Finance income, net	5	**2,724**	9,983
Share of gain/(loss) of jointly controlled entities		**1,821**	(925)
Profit before income tax		**20,452**	53,171
Income tax expense	6	**(5,445)**	(9,058)
Profit for the period		**15,007**	44,113
Dividend	7	**–**	21,834
Earnings per share for the period (expressed in HK$ per share)			
– basic	8	**0.013**	0.042
– diluted	8	**0.013**	0.042

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 31 August 2008 (Unaudited) HK$'000	As at 29 February 2008 (Audited) HK$'000
ASSETS			
Non-current assets			
Furniture and equipment		**204,356**	179,850
Intangible assets		**335,106**	311,898
Investments in and amounts due from jointly controlled entities		**32,294**	21,974
Rental deposits		**94,680**	77,424
Deferred income tax assets		**35,680**	24,412
Other assets		**6,030**	6,030
		708,146	621,588
Current assets			
Inventories		**460,225**	323,724
Trade and other receivables	9	**106,529**	39,645
Amounts due from jointly controlled entities		**25,842**	41,080
Prepayments and other deposits		**128,157**	98,920
Derivative financial instruments		**–**	2,539
Pledged bank deposits		**750**	750
Cash and cash equivalents		**148,021**	424,173
		869,524	930,831
LIABILITIES			
Current liabilities			
Borrowings	11	**(2,522)**	(10,000)
Trade and bills payables	10	**(180,804)**	(121,840)
Accruals and other payables		**(123,297)**	(140,200)
Amount due to a jointly controlled entity		**(17,252)**	(15,583)
Derivative financial instruments		**(9,668)**	–
Current income tax liabilities		**(19,581)**	(30,510)
		(353,124)	(318,133)
Net current assets		**516,400**	612,698
Total assets less current liabilities		**1,224,546**	1,234,286
Non-current liabilities			
Other payables		**(39,285)**	(8,925)
Deferred income tax liabilities		**(3,979)**	(4,524)
		(43,264)	(13,449)
Net assets		**1,181,282**	1,220,837
EQUITY			
Capital and reserves			
Share capital		**115,504**	115,468
Reserves		**1,065,778**	1,105,369
Total equity		**1,181,282**	1,220,837

NOTES:

1. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 31 August 2008 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 29 February 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 29 February 2008, as described in those annual financial statements.

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

The following new interpretations are mandatory for the first time for the financial year beginning 1 March 2008 but are not currently relevant for the Group.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations have been issued by the HKICPA but are not effective for the financial year beginning 1 March 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 and HKFRS 7 Amendments	Financial Instruments: Recognition and Measurement and Financial Instruments: Disclosures
HKFRS 1 and HKAS 27 (Revised)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

2. Turnover and segment information

(a) Analysis of revenue by category

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover		
– Sales of fashion wears and accessories	**1,180,230**	804,504
– Royalty income	**–**	3,466
	1,180,230	807,970

(b) Segment information

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

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

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**890,539**	802,454
Mainland China	**265,277**	948
Taiwan	**10,278**	–
Others	**14,136**	4,568
	1,180,230	807,970

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

	As at 31 August 2008 (Unaudited) *HK$'000*	As at 29 February 2008 (Audited) *HK$'000*
Total assets		
Hong Kong	**744,636**	846,351
Mainland China	**724,054**	631,359
Taiwan	**16,399**	28,339
Others	**25,490**	10,410
	1,510,579	1,516,459
Jointly controlled entities	**25,381**	5,518
Unallocated assets	**41,710**	30,442
	1,577,670	1,552,419

Segment assets consist primarily of furniture and equipment, intangible assets, inventories, trade and other receivables, prepayments and other deposits, derivative financial instruments, pledged bank deposits, and cash and cash equivalents. Unallocated assets comprise deferred taxation and other assets. Jointly controlled entities comprise the share of net assets of the jointly controlled entities. Total assets are allocated based on where the assets are located.

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**30,075**	29,275
Mainland China	**38,714**	549
Taiwan	**5,611**	–
Others	**7,891**	–
	82,291	29,824

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

3. Other (losses)/gains

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	**(9,668)**	1,369

4. Expenses by nature

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**463,173**	332,538
Write-downs of inventories to net realisable value	**7,970**	5,859
Employment costs (including directors' emoluments)	**240,096**	154,222
Operating lease rentals of premises		
– minimum lease payments	**232,723**	150,597
– contingent rents	**21,642**	5,166
Advertising and promotion costs	**28,578**	10,222
Depreciation of furniture and equipment	**46,261**	26,502
Loss on disposals of furniture and equipment	**4,331**	1,873
Licence fees (included in operating expenses)		
– amortisation of licence rights	**3,372**	3,917
– contingent licence fees	**984**	2,064
Amortisation of intangible assets (included in operating expenses)	**822**	–
Provision for impairment of receivables	**1,031**	–
Net exchange gains	**(18,648)**	(2,766)
Other expenses	**122,320**	75,032
Total	**1,154,655**	765,226
Representing:		
Cost of sales	**462,733**	340,833
Operating expenses	**691,922**	424,393
	1,154,655	765,226

5. Finance income, net

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income from		
– bank deposits	**1,309**	5,032
– amounts due from jointly controlled entities (i)	**153**	2,241
– others (i)	**1,817**	2,788
Finance income	**3,279**	10,061
Interest expense on		
– bank borrowings wholly repayable within five years	**(68)**	(8)
– licence fee payables (i)	**(487)**	(70)
Finance costs	**(555)**	(78)
Net finance income	**2,724**	9,983

Note:

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

6. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (six months ended 31 August 2007: 17.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively, on the estimated assessable profits for the period.

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

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**7,991**	13,801
– Mainland China enterprise income tax	**9,267**	–
Deferred income tax	**(12,219)**	(4,743)
Effect on tax rate change	**406**	–
	5,445	9,058

7. Dividend

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim, declared, of nil (six months ended 31 August 2007: HK$0.021) per ordinary share	**–**	21,834

8. Earnings per share

Basic

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

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**15,007**	44,113
Weighted average number of ordinary shares in issue ('000)	**1,154,891**	1,039,641
Basic earnings per share (HK$)	**0.013**	0.042

Diluted

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

Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 August	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**15,007**	44,113
Weighted average number of ordinary shares in issue ('000)	**1,154,891**	1,039,641
Adjustments for share options ('000)	**2,563**	3,291
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,157,454**	1,042,932
Diluted earnings per share (HK$)	**0.013**	0.042

9. Trade and other receivables

	As at 31 August 2008 (Unaudited)	As at 29 February 2008 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**54,651**	28,204
Less: provision for impairment of receivables	**(364)**	(343)
Trade receivables, net	**54,287**	27,861
Other receivables	**71,222**	28,618
Less: provision for impairment of receivables	**(18,980)**	(16,834)
Other receivables, net	**52,242**	11,784
Trade and other receivables	**106,529**	39,645

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 2008 (Unaudited) *HK$'000*	As at 29 February 2008 (Audited) *HK$'000*
0 to 30 days	**51,320**	19,979
31 to 60 days	**2,784**	7,858
61 to 90 days	**13**	7
Over 90 days	**170**	17
	54,287	27,861

10. Trade and bill payables

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

	As at 31 August 2008 (Unaudited) *HK$'000*	As at 29 February 2008 (Audited) *HK$'000*
0 to 30 days	**148,647**	86,130
31 to 60 days	**12,645**	15,037
61 to 90 days	**2,262**	2,972
91 to 180 days	**7,192**	8,090
181 to 365 days	**9,886**	8,501
Over 365 days	**172**	1,110
	180,804	121,840

11. Borrowings

	As at 31 August 2008 (Unaudited) *HK$'000*	As at 29 February 2008 (Audited) *HK$'000*
Bank overdrafts	**2,522**	–
Short-term bank borrowings	**–**	10,000
	2,522	10,000

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 August 2008 (six months ended 31 August 2007: HK2.1 cents) and proposes that the profit for the period be retained.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) Group

Total revenue of the Group increased by 46.1% to HK$1,180.2 million (six months ended 31 August 2007: HK$808.0 million). This significant increase was due to both the growth in the retail sales of the Hong Kong operation and the consolidation of the China operation as a result of the buyback of our China joint venture on 28 November 2007. It should be noted that for the six months ended 31 August 2007, the results of the China joint venture were equity accounted for as a jointly controlled entity, while for the six months ended 31 August 2008, the results of our China operation were consolidated in the Group's financial statements.

For the six months ended 31 August 2008, international brands, in-house brands, and licensed brands each contributed 49.7% (six months ended 31 August 2007: 48.0%), 45.7% (six months ended 31 August 2007: 42.8%), and 4.6% (six months ended 31 August 2007: 9.2%) of the Group's total retail sales respectively.

Gross profit increased by 53.6% to HK$717.5 million (six months ended 31 August 2007: HK$467.1 million). Gross profit margin of our retail operation was maintained at 60.7% (six months ended 31 August 2007: 60.8%). The slight improvement in the gross profit margin of our Hong Kong retail operation has compensated the dilution effect of the consolidation of our China operation of which gross profit margin is lower.

Total operating expenses increased by 63.0% to HK$691.9 million (six months ended 31 August 2007: HK$424.4 million), representing 58.6% of total revenue (six months ended 31 August 2007: 52.5%). Total rental expenses (including management fee, rates and government rent) as a percentage of total revenue increased from 22.5% for the six months ended 31 August 2007 to 24.8% for the six months ended 31 August 2008, primarily due to consolidation of our China operation which has a lower revenue base. Total staff cost (excluding share option expenses) as a percentage of total revenue was maintained at 19.1% (six months ended 31 August 2007: 18.9%). To celebrate our 20th anniversary as well as strengthening our corporate and brand image in both Hong Kong and Mainland China markets, advertising and promotion expenses increased by HK$18.4 million to HK$28.6 million, representing 2.4% (six months ended 31 August 2007: 1.3%) of total revenue.

Operating profit decreased by 63.9% to HK$15.9 million (six months ended 31 August 2007: HK$44.1 million) and EBITDA (earnings before interest, taxation, depreciation and amortisation expenses and excluding the share of results of jointly controlled entities) decreased by 17.7% to HK$69.6 million (six months ended 31 August 2007: HK$84.6 million). The fall in operating profit and EBITDA could be attributable to increase of some discretionary expenses such as HK$13.6 million increase in advertising and promotion expenses related specifically to our 20th anniversary celebration and HK$13.8 million increase in share option expenses. If, however, advertising and promotion expenses as a percentage of revenue was maintained at the same level as last year and increase of the non-cash share option expenses are excluded, EBITDA would have increased by 14.8% to HK$97.1 million (six months ended 31 August 2007: HK$84.6 million) and operating income from core operating business would have decreased by 1.7% only to HK$43.4 million (six months ended 31 August 2007: HK$44.1 million).

As a result of decrease in operating profit coupled with HK$7.3 million decrease in net finance income, net profit decreased by 66.0% to HK$15.0 million (six months ended 31 August 2007: HK$44.1 million).

(b) Hong Kong

Sales from retail operation increased by 18.0% to HK$886.7 million (six months ended 31 August 2007: HK$751.2 million) at an overall comparable store sales growth rate of 5.8%. Given the current volatile market conditions, the Management thinks such growth rates are gratifying although they are lower than last year's.

Retail sales of in-house brands increased by 26.7% to HK$406.5 million (six months ended 31 August 2007: HK$320.9 million), contributing 45.8% of total retail sales. Retail sales of international brands increased by 21.2% to HK$436.6 million (six months ended 31 August 2007: HK$360.3 million), contributing 49.2% of total retail sales. Contribution from licensed brands continued to decrease to 5.0% of total retail sales, recording retail sales of HK$43.6 million (six months ended 31 August 2007: HK$70.0 million). International brands remain the major revenue contributor, although in-house brands are catching up and increased at a faster rate than international brands.

Given our strong brand equity, we not only have been able to pass on the material cost increase to consumers, but have also improved the gross profit margin of retail operation slightly from 61.4% for the six months ended 31 August 2007 to 62.1% for the six months ended 31 August 2008.

In the inflationary environment, rental expenses (including management fee, rates and government rent) as a percentage of total revenue increased from 22.5% for the six months ended 31 August 2007 to 23.9% for the six months ended 31

August 2008. As we hired more staff at the Hong Kong corporate headquarter to manage our business expansion in China, staff cost (excluding share option expenses) as a percentage of total revenue increased from 18.9% for the six months ended 31 August 2007 to 20.6% for the six months ended 31 August 2008. Total operating expenses increased by 24.2%. If the HK$13.8 million increase in non-cash share option expenses are excluded and advertising and promotion expenses as a percentage of revenue was maintained at the same level as last year, total operating expenses would have increased by 18.6% only, which is close to the 18.4% increase in gross profit.

The substantial increase in total operating expenses explained the HK$27.6 million (or 62.5%) decrease in operating profit. Again, if increase of the non-cash expenses of share option are excluded and advertising and promotion expenses as a percentage of revenue was maintained at the same level as last year, operating income from core operating business of Hong Kong would have only dropped by 9.4%.

Our joint venture with French Connection Group plc reported 9.6% increase in total retail revenue at a comparable store sales growth rate of 8.6%. As a result of efficient control of operating expenses, net profit jumped by 57.3%.

On 25 June 2008, we formed another 50:50 joint venture with Zadig & Voltaire, a chic and funky French fashion label very popular in Continental Europe, UK and Japan. The first store of the new joint venture was opened at Pacific Place, Admiralty in mid July.

(c) *Mainland China*

In this first half, a lot of unforeseen events have negatively affected the business. There were natural disasters – snowstorm and Sichuan earthquake. Stock and property markets corrections which were accelerated by the recent global financial tsunami have also, to a certain extent, dampened the consumption sentiment. During the Olympic Games, people spent more time at home and the various restrictions imposed by the Beijing Government have also reduced traffic. Despite these setbacks, in Renminbi terms, sales from retail operation still increased by 27.8% to RMB212.0 million (six months ended 31 August 2007: RMB165.9 million, operated by our ex-China joint venture) with an overall comparable store sales growth rate of 15.5%.

Retail sales of in-house brands increased by 48.6% to RMB88.0 million (six months ended 31 August 2007: RMB59.2 million, operated by our ex-China joint venture), contributing 41.5% of total retail sales. Retail sales of international brands increased by 26.1% to RMB115.6 million (six months ended 31 August 2007: RMB91.7 million, operated by our ex-China joint venture), contributing 54.5% of total retail sales. Same as Hong Kong operation, contribution from licensed brands continued to decrease to 4.0% of total retail sales, recording retail sales of RMB8.4 million (six months ended 31 August 2007: RMB15.1 million, operated by our ex-China joint venture).

With a higher proportion of sales contribution from international brands which have a lower gross profit margin as well as various taxation factors, the overall gross profit margin of our China operation is lower than our Hong Kong operation. For the six months ended 31 August 2008, the gross profit margin of our China retail operation was 55.6% which compared to 62.1% of our Hong Kong retail operation. The fact that sales growth in in-house brand segment is faster than the international brand segment should help to reverse this situation in the medium term.

Rental expenses (including management fee) accounted for 26.2% of total revenue, which was higher than our Hong Kong operation as a result of lower revenue base. As a lot of back-office functions such as merchandising, product design are provided by the team in Hong Kong, the staff cost as a percentage of total revenue was lower and stood at 13.6% for the six months ended 31 August 2008. Following the buyback of our ex-China joint venture, we are committed to investing more resources to strengthen our brand and corporate image in Mainland China. We spent HK$7.4 million in this first half on advertising and promotion, which was already higher than our ex-China joint venture did for the last full financial year.

Despite the substantial increase in operating expenses to integrate and consolidate our ex-China joint venture in this transitional year following the buyback, we managed to run the business profitably, recording HK$3.2 million operating profit and break even on net bottom line.

(d) Others

Up to the date of this results announcement, the Company has opened 7 stores at The Venetian Macau, increasing our total number of stores in Macau to 11. We believe that despite recent drop in tourist numbers in Macau because of a change of the Mainland Government traveling policy, Macau will ultimately develop into the Las Vegas in Asia which will not only attract gamblers but also families and corporate clients. The Macau business reported a net loss of HK$3.9 million in this first half because of its early stage of development.

Taiwan operation recorded a comparable store sales growth rate of 16.5% and was slightly profitable in the six months ended 31 August 2008. In view of such improved performance, we have decided to open a flagship store for http://www.izzue.com in Taipei in October in order to further strengthen the brand as well as keep pushing sales. Although Taiwan seems to have a better relationship with Mainland China and there is increasing possibility of direct flight between Taiwan and Mainland China, we remain conservative and will expand in this market again only cautiously.

As at 31 August 2008, the Group had 17 franchised stores outside the Greater China, 7 stores in Saudi Arabia and 10 stores in Thailand. Two 5cm stores will be opened in the new market of Melbourne, Australia this November.

Share of Results of Jointly Controlled Entities

In the six months ended 31 August 2007, jointly controlled entities comprised G.S-i.t Limited (now renamed as I.T China Limited) (50:50 joint venture with Glorious Sun Enterprises Limited covering Mainland China, Macau and Taiwan) and FCUK IT Company (50:50 joint venture with French Connection Group plc covering Hong Kong). The buyback of our China joint venture was completed on 28 November 2007. So in the six months ended 31 August 2008, jointly controlled entities comprised a 50:50 joint venture with French Connection Group plc covering Hong Kong, Mainland China and Macau and a 50:50 joint venture with Zadig & Voltaire covering Hong Kong.

As a result of the improvement in the operation of the joint venture with French Connection Group plc for Hong Kong, share of results of jointly controlled entities turned from a loss of HK$0.9 million for the six months ended 31 August 2007 to a profit of HK$1.8 million for the six months ended 31 August 2008.

Cash Flows

Operating cash-flow turned from an inflow of HK$19.9 million in the six months ended 31 August 2007 to an outflow of HK$103.5 million in the six months ended 31 August 2008 as invenory increased at a rate faster than the revenue as well as progress payments made on renovation work on shops. Net cash used in investing activities comprising mainly acquisition of furniture and equipment was HK$73.5 million (six months ended 31 August 2007: HK$2.6 million). Net cash used in financing activities was HK$107.3 million (six months ended 31 August 2007: HK$48.5 million). The substantial increase in the net cash used in financing was mainly due to the increased payment of final dividend of previous financial year from HK$52.0 million in the six months ended 31 August 2007 to HK$98.2 million in the six months ended 31 August 2008.

Inventory

Inventory turnover days of the Group increased from 114.2 days for the six months ended 31 August 2007 to 155.9 days for the six months ended 31 August 2008. The slowdown in the general economy has reduced the turnover of inventory to lower than we had anticipated.

Liquidity and capital resources

As at 31 August 2008, total cash and bank balances amounted to HK$148.8 million (29 February 2008: HK$424.9 million) and the total liabilities were HK$396.4 million (29 February 2008: HK$331.6 million). As at 31 August 2008, shareholders' equity was HK$1,181.3 million (29 February 2008: HK$1,220.8 million).

As at 31 August 2008, the Group had aggregate banking facilities of approximately HK$515.0 million (29 February 2008: HK$448.5 million) for overdrafts, bank loans and trade financing, of which approximately HK$405.1 million (29 February 2008: HK$336.5 million) was unutilised. As at 31 August 2008, charges on assets amounted to HK$0.75 million (29 February 2008: HK$0.75 million) comprising bank deposit pledged for letters of guarantee issued by banks in lieu of rental deposits. The Group had HK$2.5 million bank borrowings as at 31 August 2008 (29 February 2008: HK$10.0 million). The current ratio as at 31 August 2008 was 2.5 (29 February 2008: 2.9) and its gearing was 0.2% (29 February 2008: 0.8%) based on Shareholders' equity.

Contingent Liabilities

As at 31 August 2008, the Group did not have significant contingent liabilities (29 February 2008: Nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward currency contract with major and reputable institutions to hedge foreign exchange risk. As at 31 August 2008, the notional amounts of outstanding forward currency exchange contracts to buy Japanese Yen, Euros and Sterling Pound 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$281.5 million (29 February 2008: HK$31.6 million).

Business Combinations

On 1 March 2008, the Group acquired the remaining 49% equity interest in Top Alliance Enterprises Limited, a then jointly controlled entity of the Group for a cash consideration of HK$1,780,000 The acquired business contributed revenues of HK$10.3 million and net profit of HK$3.9 million to the Group for the period from 1 March 2008 to 31 August 2008.

Use of Proceeds

As at 1 March 2008, the unutilised proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK$83.7 million. For the six months ended 31 August 2008, net proceeds were utilised in the following manners:

	Balance as at 1 March 2008 *HK$'000*	**Utilised during the period** *HK$'000*	**Balance as at 31 August 2008** *HK$'000*
Expansion of retail network in the Greater China	82,658	(82,658)	–

Employment, Training and Development

The Company had a total of 2,992 employees as at 31 August 2008 (29 February 2008: 2,912) following consolidation of our China operation. Training and development courses were regularly organized for employees to enhance both of their specialised technical and product knowledge as well as marketing and sales to general business management skills. The Company offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performances.

Future Outlook

The decrease in net profit of the Group in the first 6 months was mainly due to the increase of discretionary advertising and promotion expenses mainly related to our 20th anniversary, non-cash share option expenses and the decrease of non-operational interest and other income. We believe the fundamentals of our business remain intact and healthy. However, in view of the challenging business environment ahead, we have already taken measures to tighten our control especially on advertising and promotion spent and staff cost.

Entering the second half, although the total retail sales for Hong Kong in September increased by a low single digit percentage only, it bounced back significantly to a 23.7% increase with a comparable store sales growth rate of 13.5% during the Golden Week with the implementation of more vigorous marketing efforts such as VIP sale and tourist promotion. We remain cautious about the Hong Kong market over the next 6 to 12 months given the likely softening economy. To protect and sustain our business momentum in Hong Kong and keep the business profitable is still the key goal of the Company.

Regarding Mainland China, our outlook is cautiously optimistic. Total retail sales increased by 46.6% and comparable store sales growth rate was 21.0% in September. During the Golden Week, the two indicators increased by 71.8% and 45.0% respectively. It is generally believed that the Beijing Government will introduce measures to boost domestic consumption in order to counter balance the slowdown in export. We have already started seeing relaxation in the policies towards the property market. These changes are favorable to the consumer market. But we did not open many new stores in Mainland China in this first half, partly due to hindrances associated with the Olympic Games and we have no plan to add new stores in the second half except those that have been committed. Two new stores (for http://www.izzue.com and b+ab) will be opened at the newly opened the Village at Sanlitun (South, owned and managed by Swire Properties) in Beijing early next year. We are opportunistically looking into new projects for expansion in next financial year. We are in negotiation to lease a newly renovated building with a total gross area of 100,000 sq. ft. in Shanghai. This will be a new retail strategy we are implementing in the Mainland leveraging our multi-brand multi-segment business model to full strength. If this project proceeds, the building will be converted into a lifestyle I.T mall housing all of our in-house labels and most of our international labels. Despite the recent market volatility, our target to increase our sales footage to no less than 450,000 sq. ft. in Mainland China, Macau and Taiwan by 2010 remains unchanged but would be loaded towards next year and after.

With a gearing ratio close to zero, the Group was holding about HK$146 million net cash as at 31 August 2008. The fact that our operation in Hong Kong continues to be profitable and our operation in Mainland China is breaking even and continues to improve suggest that we do not have immediate cash requirement for the time being. However, in order to build an adequate capital pool for some of the expansion projects described above as well as working towards a more efficient capital structure, we are delighted to be able to obtain new banking facilities by our principal banks during this difficult period. The Group believes that this is a vote of confidence on our business. Going forward, the Group strives to maintain a good balance between business expansions and hence shareholders return as well as a healthy balance sheet with a gearing ratio to no more than 20%.

Taken together, we believe that the markets in Hong Kong would be very challenging for the next year or two. We will take a more defensive strategy here and the goal is to protect our market share while making sure that the business is profitable and cash flow is positive. In China where we believe there will be continuous growth in the domestic consumer market, we plan to grow effectively and efficiently through newly developed retail strategy such as the I.T multi-brand mall in Shanghai as well as leveraging lower costs distribution through department stores. However, even with these growth goals in mind the key tactic over the coming two years is to maintain and build a strong and capital-efficient balance sheet for the Group.

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 of Corporate Governance Practices 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 2008 except for the deviations as mentioned below.

The Company is fully aware that in order to reinforce the Directors' respective independence, accountability and responsibility, the role of the Chairman should be separated from that of the Chief Executive Officer. However, Mr. Sham Kar Wai currently holds both positions. The Board believes that (1) 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; and (2) the risk of concentration of power is mitigated by the sharing of the executive management of the business between Mr. Sham Kar Wai and Dr. Lo Wing Yan, William, the Vice Chairman and Managing Director.

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 2008, 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 2008.

The interim financial report for the six months ended 31 August 2008 has also been reviewed by PricewaterhouseCoopers, the Company's independent auditor, whose review report will be included in the interim report to be sent to shareholders.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2008.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 30 October 2008

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