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Chairman's Statement

Business and Operation Review

To commemorate the silver jubilee, I am pleased to announce that the Group has achieved an encouraging result for the year ended on March 31, 2005. The result of the Group recorded a significant turnaround from the consolidated net loss attributable to the shareholders of approximately HK\$8.5 million last year, to net profit attributable to the shareholders of approximately HK\$13.9 million this year. This significant improvement is the result of the valuable contribution dedicated by the management team and the gradual economic recuperation in Hong Kong. More importantly, the achievement has proved that the strategic direction of the Group in the past few fiscal years has been on the right track.

The consolidated turnover of the Group amounted to approximately HK\$126 million (2004: HK\$122 million), represents a year-to-year increase of approximately 3%. During the year, in order to enhance the distribution efficiency, we continue the progress of distribution channel restructuring. This includes both the relocating of certain existing shops and opening new shops. As on March 31, 2005 the Group was operating 13 (2004: 12) retail outlets in Hong Kong with the total controlled retail floor areas of 24,901 square feet (2004: 27,172 square feet). The average sales per square foot for the year was HK\$4,886, up 17% when compared to HK\$4,166 last year. The improvement in distributional efficiency of the Group recognises our efforts devoted in marketing and management.

The gross profit margin of the Group persisted to be improved in this year and the Group recorded an impressive increment by 7% from 63% last year to 70% this year. This significant improvement represents the following aspects: the effective production cost control, customers' recognition of our well-established brands and products and also our favorable response to the Group's continuing repositioning efforts.

The net profit attributable to shareholders in this year was approximately HK\$13.9 million (2004: net loss HK\$8.5 million) which consists of approximately HK\$5.5 million (2004: HK\$2.6 million) from other income, which mainly generated from disposal and revaluation of properties, and of approximately HK\$8.4 million profit (2004: HK\$11.1 million loss) generated from operating activities. The turnover in operating result in this fiscal year relied on our stringent cost control and our distribution network size optimization strategies. The operating ratio continued to be improved in two consecutive years. In this year, distribution cost to turnover is reduced by 6% from 40% last year to 34%. Administrative expenses to turnover also slightly improve by 2% from 31% in last year to 29%. The management will keep on applying this cautious cost controlling philosophy in the coming fiscal years. However, facing the worsening operating environment caused by the up-and-coming inflationary pressure in both leasing and human resources market, keeping the existing operating ratios will be a challenge for the management team in the coming fiscal year.

Prospect

The retail industry in Hong Kong will continue to be benefited by the individual travel scheme and the upcoming grand opening of the Disneyland on the Lantau Island. We believe the momentum of the current economic rebound in Hong Kong will continue and the consumers' spending will upsurge. However, at the same time, as mentioned before, the operating environment is expected to be worsened by the inflationary pressure of both retail outlet rental and the keen competition in human resources in the retail industry. We will try our best to apply the strength of the organisation so as to maintain the growth of the Group in the coming fiscal year.

Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, suppliers, bankers and professional advisors for their continued support. May I also thank my fellow directors and our staff for their dedication and contribution.

Cheung Yin Sheung Subraina
Chairman

Hong Kong

July 11, 2005



