INTERIM REPORT

SIX MONTHS ENDED 30 SEPTEMBER 2005

GAY GIANO INTERNATIONAL GROUP LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

GAY GIANO
INTERNATIONAL

INTERIM RESULTS

The board of directors (the "Board" or the "Directors") of Gay Giano International Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended September 30, 2005 together with the comparative figures for the corresponding period in the previous year as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended September 30, 2005

		UNAUDITED Six months ended September 30,	
		2005	2004
	Notes	*HK$'000*	*HK$'000*
TURNOVER	3	**57,809**	55,086
Cost of goods sold		**(18,244)**	(14,745)
GROSS PROFIT		**39,565**	40,341
Other income		**387**	324
Distribution costs		**(21,502)**	(20,969)
Administrative expenses		**(19,492)**	(18,540)
(LOSS)/PROFIT FROM OPERATION	5	**(1,042)**	1,156
Finance costs		**(52)**	(140)
(LOSS)/PROFIT BEFORE TAXATION		**(1,094)**	1,016
Taxation	6	**(103)**	—
NET (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(1,197)**	1,016
DIVIDEND	7	**Nil**	Nil
(LOSS)/EARNINGS PER SHARE	8		
— Basic		**HK(0.60) cent**	HK0.51 cent
— Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
At September 30, 2005

	Notes	UNAUDITED September 30, 2005 HK$'000	AUDITED March 31, 2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,969	14,662
Rental deposits		6,696	5,853
		20,665	20,515
CURRENT ASSETS			
Inventories		28,312	19,272
Accounts receivables	10	1,511	2,022
Prepayments, deposits and other receivables		3,754	3,946
Pledged bank deposits		5,500	3,500
Bank balances and cash		2,199	14,091
		41,276	42,831
CURRENT LIABILITIES			
Accounts payables	11	3,409	1,463
Tax payable		176	250
Accrued liabilities and other payables		5,518	7,110
Bank loans (secured)		3,742	2,263
Other loans		165	2,082
Finance lease payables		99	123
		13,109	13,291

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*
At September 30, 2005

	Note	UNAUDITED September 30, 2005 *HK$'000*	AUDITED March 31, 2005 *HK$'000*
NET CURRENT ASSETS		28,167	29,540
TOTAL ASSETS LESS CURRENT LIABILITIES		48,832	50,055
NON-CURRENT LIABILITIES			
Other loans		55	59
Finance lease payables		177	216
		232	275
NET ASSETS		48,600	49,780
CAPITAL AND RESERVES			
Share capital	*12*	20,013	20,006
Reserves		28,587	29,774
		48,600	49,780

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended September 30, 2005

	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At April 1, 2004	20,003	26,121	116	(10,415)	35,825
Net profit for the period	–	–	–	1,016	1,016
At September 30, 2004	20,003	26,121	116	(9,399)	36,841
At April 1, 2005	20,006	26,126	116	3,532	49,780
Exercise of share option	7	10	–	–	17
Net loss for the period	–	–	–	(1,197)	(1,197)
At September 30, 2005	20,013	26,136	116	2,335	48,600

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended September 30, 2005

	Six months ended September 30, 2005 HK$'000	2004 HK$'000
Net cash (used in)/from operating activities	(8,167)	375
Net cash used in investing activities	(3,237)	(998)
Net cash used in financing	(1,967)	(487)
Net decrease in cash and cash equivalents	(13,371)	(1,110)
Cash and cash equivalents at beginning of period	11,828	2,629
Cash and cash equivalents at end of period	(1,543)	1,519

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
For the six months ended September 30, 2005

1. Basis of Preparation

These unaudited consolidated condensed interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These condensed interim financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Financial Instruments

In the current period, the Group has applied HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are as follows:

Financial Assets and Financial Liabilities other than Debt and Equity securities

From April 1, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities in accordance with the requirements of HKAS 39. The classification depends on the purpose for which the assets are acquired. "Financial Assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. For "available-for-sale financial assets" that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, it will be measured at cost less impairment, if any. "Loans and receivable" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Financial liabilities at fair value through profit or loss" are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost. "Other financial liabilities" are carried at amortised cost using the effective interest method. This change has had no material effect on the results for the current or prior periods.

1. Basis of Preparation *(continued)*

Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after April 1, 2005. In relation to share options granted before April 1, 2005, the Group has not applied HKFRS 2 to share options granted on or before November 7, 2002 and share options that were granted after November 7, 2002 and had vested before April 1, 2005 in accordance with the relevant transitional provisions. This change has had no material effect on the results for the current or prior periods.

2. Potential Impact Arising on the New Accounting Standards not yet Effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 Amendment	Financial Guarantee Contracts
HKFRS 6	Explanation for and Evaluation of Mineral Resources
HKFRS 7	Financial instruments — Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment

3. Turnover

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts, from retail and wholesale of ladies' and men's fashion apparel and complementary accessories.

4. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the fashion apparel segment engages in the manufacturing, retailing and wholesaling of fashion apparel and complementary accessories under the brand names of Gay Giano, Cour Carré and Due G; and

(b) the properly investment segment invests in residential properties for its rental income potential.

In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location of the customers.

(a) Business Segments

The following table presents revenue and results information for the business segments of the Group:

	UNAUDITED Six months ended September 30,					
	Fashion apparel		Property investment		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment Revenue:						
Sales to external customers	**57,809**	55,086	**–**	–	**57,809**	55,086
Other income	**7**	16	**–**	–	**7**	16
Total	**57,816**	55,102	**–**	–	**57,816**	55,102
Segment results	**(1,014)**	1,260	**–**	(56)	**(1,014)**	1,204
Interest income and unallocated income					**380**	308
Unallocated corporate expenses					**(408)**	(356)
(Loss)/profit from operation					**(1,042)**	1,156
Finance costs					**(52)**	(140)
(Loss)/profit before taxation					**(1,094)**	1,016
Taxation					**(103)**	–
Net (loss)/profit for the period					**(1,197)**	1,016

4. Segment Information *(continued)*

(b) Geographical Segments

The following table presents revenue and results information for the geographical segments of the Group:

	UNAUDITED Six months ended September 30,					
	Hong Kong		People's Republic of China		Consolidated	
	2005 HK$'000	*2004 HK$'000*	2005 HK$'000	*2004 HK$'000*	2005 HK$'000	*2004 HK$'000*
Segment revenue						
Sales to external customers	57,360	53,747	449	1,339	57,809	55,086
Segment results	(1,093)	1,622	51	(466)	(1,042)	1,156

5. (Loss)/Profit from Operation

	UNAUDITED Six months ended September 30,	
	2005 *HK$'000*	2004 *HK$'000*
Cost of inventories sold	18,244	14,745
Depreciation	988	1,029
Loss on disposal of property, plant and equipment	942	688
Finance cost —		
Interest expense on:		
Bank loans and overdrafts	—	70
Finance leases	6	22
Other loans not wholly repayable within five years	46	48

6. Taxation

	UNAUDITED Six months ended September 30,	
	2005 *HK$'000*	2004 *HK$'000*
Provision for the period:		
Hong Kong	—	—
Overseas	34	—
Over provision for prior year	69	—
	103	—

6. Taxation *(continued)*

Provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits arising in Hong Kong during the period. In the corresponding period of lost year, no provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits in Hong Kong during that period. The Company's subsidiary established in The People's Republic of China is subject to Enterprise Income Tax at a rate of 15% (2004: 15%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Dividend

The Directors have resolved that no interim dividend be declared in respect of the six months ended September 30, 2005 (six months ended September 30, 2004: Nil).

8. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the unaudited loss for the six months ended September 30, 2005 of HK$1,197,000 (2004: net profit HK$1,016,000) and the weighted average of 200,124,000 (2004: 200,030,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the period ended September 30, 2005 and September 30, 2004 had not been presented as the potential ordinary shares outstanding during the periods ended September 30, 2005 and September 30, 2004 were anti-dilutive.

9. Property, Plant and Equipment

During the period, the Group spent approximately HK$1,237,000 (2004: HK$1,018,000) principally in leasehold improvements for newly established and existing retail outlets.

10. Accounts Receivables

The following is an ageing analysis of accounts receivables at the balance sheet date, based on the invoice date:

	UNAUDITED At September 30, 2005 HK$'000	AUDITED At March 31, 2005 *HK$'000*
0 — 30 days	414	517
31 — 60 days	—	232
Over 60 days	1,097	1,273
	1,511	2,022

Normal credit term granted by the Group to its customers ranges from 30 to 60 days from the invoice date. The Group grants credit terms of over 60 days for certain high creditability customers.

11. Accounts Payables

The following is an ageing analysis of accounts payables at the balance sheet date:

	UNAUDITED At September 30, 2005 *HK$'000*	AUDITED At March 31, 2005 *HK$'000*
0 — 30 days	2,222	883
31 — 60 days	610	263
Over 60 days	577	317
	3,409	1,463

12. Share Capital

	UNAUDITED At September 30, 2005 *HK$'000*	AUDITED At March 31, 2005 *HK$'000*
Shares		
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	100,000	100,000
Issued and fully paid:		
200,130,000 (March 31, 2005: 200,060,000) ordinary shares of HK$0.10 each	20,013	20,006

13. Operating Lease Commitments

At balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	UNAUDITED At September 30, 2005 *HK$'000*	AUDITED At March 31, 2005 *HK$'000*
Within one year	26,908	26,143
In the second to fifth years, inclusive	25,827	30,274
	52,735	56,417

14. Contingent Liabilities

At September 30, 2005, the Group had no significant contingent liabilities (March 31, 2005: Nil)

At September 30, 2005, the Company had guarantee provided to a bank against facilities utilised by a subsidiary as follow:

	THE COMPANY	
	UNAUDITED	AUDITED
	September 30, 2005	March 31, 2005
	HK$'000	*HK$'000*
Bank loans	3,742	2,263

15. Connected Transaction

During the year ended March 31, 2005, Gay Giano International Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Boldsmore International Limited ("Boldsmore"), a fellow subsidiary of the Company. Pursuant to the agreement, Boldsmore leased an office and a warehouse to the Group for a term of one year from November 1, 2004 to October 31, 2005 at a monthly rent of HK$182,000.

FPDSavills (Hong Kong) Limited, an independent firm of professional valuers, has reviewed the terms of the above lease agreement and has confirmed to the directors that the rental payable under the agreement is based on normal commercial terms and is fair and reasonable.

The independent non-executive directors are of the opinion that the terms of the above transaction is fair and reasonable so far as the shareholders of the Company are concerned; and that the transaction has been entered into by the Group in its ordinary course of business and on normal commercial terms and was carried out in accordance with the terms of the agreement governing such transaction.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at September 30, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions in ordinary shares of the Company

Name of Directors	Capacity	Type of interests	Number of shares held	Approximate % of the issued share capital
Cheung Yin Sheung Subraina ("Ms. Cheung")	Beneficial owner	Corporate *(Note 1)*	120,000,000	60
	Interest of spouse *(Note 2)*	Corporate *(Note 1)*	120,000,000	60
Tong Kwong Fat ("Mr. Tong")	Beneficial owner	Corporate *(Note 1)*	120,000,000	60
	Interest of spouse *(Note 2)*	Corporate *(Note 1)*	120,000,000	60

Notes:

1. The 120,000,000 shares are held by Gay Giano (BVI) Group Limited, ("Gay Giano (BVI)"), a limited company incorporated in the British Virgin Islands and Ms. Cheung and Mr. Tong are owned 250 shares and 50 shares respectively, which representing 12.5% and 2.5% respectively of Gay Giano (BVI).

2. Mr. Tong is the spouse of Ms. Cheung. By virtue of the SFO, Mr. Tong and Ms. Cheung are taken to be interested in the shares held by each other.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(ii) Interests in options to subscribe for the Company's shares

As at September 30, 2005, the directors had personal interests in share options to subscribe for shares in the Company under the Old Scheme (as defined in the Section "Share option scheme" below) as follows:

			Number of share options			
Name of directors	Exercise period of share options	Exercise price of share options *HK$*	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Outstanding at end of the period
Cheung Yin Sheung Subraina	February 5, 2001 to February 4, 2011	0.2528	1,800,000	–	–	1,800,000
Tong Kwong Fat	February 5, 2001 to February 4, 2011	0.2528	1,800,000	–	–	1,800,000
Yung Wing Sze Vivian	February 5, 2001 to February 4, 2011	0.2528	1,170,000	–	–	1,170,000

Save as disclosed above, none of directors or chief executives or their associates held any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation as at September 30, 2005 which had to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above and "Share option scheme" below, at no time during the period were given rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive, or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the directors, chief executives, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

In 2001, the Stock Exchange announced changes to the Listing Rules which set out the revised requirements for share option schemes operated by listed companies. In this respect, the operation of the share option scheme adopted by the Company on March 14, 2000 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

On September 10, 2002, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. Other details of the New Scheme were disclosed in the circular dated July 29, 2002. As at September 30, 2005, no options have been granted under the New Scheme.

SHARE OPTION SCHEME *(continued)*

Details of the movements in the share options granted and exercised during the period ended September 30, 2005 under the Old Scheme are as follows:

Name or category of participant	Date of grant of share options *(Note 1)*	Exercisable period of share options	Number of share options At April 1, 2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At September 30, 2005	Exercise price share of options HK$ *(Note 2)*
Directors									
Cheung Yin Sheung Subraina	February 5, 2001	February 5, 2001 to February 4, 2011	1,800,000	–	–	–	–	1,800,000	0.2528
Tong Kwong Fat	February 5, 2001	February 5, 2001 to February 4, 2011	1,800,000	–	–	–	–	1,800,000	0.2528
Yung Wing Sze Vivian	February 5, 2001	February 5, 2001 to February 4, 2011	1,170,000	–	–	–	–	1,170,000	0.2528
			4,770,000	–	–	–	–	4,770,000	
Other employees									
In aggregate	February 5, 2001	February 5, 2001 to February 4, 2011	10,550,000	–	(70,000)	(70,000)	–	10,410,000	0.2528
			15,320,000	–	(70,000)	(70,000)	–	15,180,000	

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

SHARE OPTION SCHEME *(continued)*

The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

SUBSTANTIAL SHAREHOLDERS

According to the records entered into the register required to be kept by the Company pursuant to Section 336 of the SFO, so far as the directors of the Company are aware of and having made due enquiries, as at September 30, 2005, the interests and short positions of the following parties (other than the directors or chief executives of the Company as disclosed above), in the shares or underlying shares of the Company were as follows:

Name	Capacity	Type of interests	Number of shares held	% of the issued share capital
Gay Giano (BVI)	Beneficial owner	Corporate	120,000,000	60
K&E Industries Limited	Beneficial owner	Corporate	30,000,000	15
Cheung Sing Chi	Interest of Controlled Corporation *(Note)*	Corporate	120,000,000	60

Note:

Mr. Cheung Sing Chi holds 72.5% of the shares in issue of Gay Giano BVI and therefore has a controlling interest in it. By virtue of the SFO, Mr. Cheung Sing Chi is taken to be interested in the shares of the Company held by Gay Giano BVI.

Save as disclosed above, as at September 30, 2005, the Company was not notified by any person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

BUSINESS REVIEW AND PROSPECT

Business Review

Facing the inflationary pressure on both retail rental and human resources markets and the unexpected weakened momentum of the economic recovery in Hong Kong, the operating environment in apparel retail industry is challenging in the first half of this fiscal year. The result of the Group for the six-month period ended September 30, 2005 was negatively affected by the above factors and recorded a consolidated loss of approximately HK$1.2 million (2004: Profit of approximately HK$1 million).

Strategically, Hong Kong remains to be the major market of the Group. The turnover of the Group for the first half of the fiscal year was approximately HK$57.8 million, representing an increase of approximately 5% when compared with the corresponding period last year. The improvement in turnover was contributed by our effective marketing campaign and the new retail outlets opened during the period.

The Group continued to keep a high gross profit margin at approximately 68% for the first half of the fiscal year. However, due to the inflation of the imported raw material and finished goods sourced from European districts, the gross profit ratio had decreased by approximately 5% when compared with the corresponding period last year. Necessary adjustments had been made by the management and the gross profit margin are expected to be improved in the second half of the fiscal year.

The management of the Group keeps on deploying stringent control on operating expenditure. The ratios of distribution cost to turnover and the administration cost to turnover for the period ended September 30, 2005 were maintained at approximately 37% (2004: 38%) and 34% (2004: 34%) respectively.

The development of the distributional network in Hong Kong remains cautious in the existing inflationary trend of retail rental. During the period, certain retail outlets were relocated in order to achieve the retail area optimization strategy of the Group. At the same time, a new retail outlet was opened in Man Yee Building, which is located in Central, in May 2005. After the period ended date, another new shop was opened in Olympian City, which is located in Tai Kok Tsui, in November 2005.

BUSINESS REVIEW AND PROSPECT *(continued)*

Prospect

Although the momentum of the economic recovery in Hong Kong is not as strong as we expected, from our experience, the result of the second half of the year will be improved due to the adjustments of the pace of our operation so as to catch up the changing economic environment and the seasonal factor of the apparel retail market in Hong Kong. Looking ahead, we believe that our effort in brand loyalty building, effective operational and financial strategies, along with our sophisticated yet contemporary apparel products and effective distributional networks, will support the organic growth of the Group and allow us to gain access to additional business opportunities that may be presented to the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at September 30, 2005, net current assets and current ratio of the Group were approximately HK$28 million and 3.1 respectively. The current assets mainly comprised inventories of approximately HK$28.3 million, prepayments, deposits and other receivables of approximately HK$3.8 million, accounts receivables of approximately HK$1.5 million and bank balances and cash of approximately HK$2.2 million. The Group had total assets of approximately HK$61.9 million, current liabilities of approximately HK$13.1 million, non-current liabilities of approximately HK$0.2 million and shareholders' equity of approximately HK$48.6 million.

As at September 30, 2005, the overall gearing ratio of the Group is 8.7% as total borrowings of approximately HK$4.2 million to net worth of approximately HK$48.6 million.

The Group recorded a net cash used in operating activities of approximately HK$8.2 million for the period and repaid aggregate other loans and finance lease payables of approximately HK$2 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Treasury Policies

The Group generally finances its operations with internally generated cash flows and loans facilities provided by banks and financial institutions in Hong Kong. As of September 30, 2005, the total outstanding short-term borrowings was approximately HK$4 million. Borrowing methods used by the Group mainly include bank loans and other loans from financial institutions. The interest rates of most of these loans are determined by reference to the Hong Kong dollar prime rate. The Group had no interest rate hedging arrangement during the period under review. The Directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

Capital Expenditure

Capital expenditure amounted to approximately HK$1.2 million for the period under review. These expenditure were mainly used in retail network improvement. There were no material capital commitments at September 30, 2005.

Pledge of Assets and Contingent Liabilities

At September 30, 2005, the Group pledged leasehold land and buildings in Hong Kong with an aggregate net book value of approximately HK$5.2 million. At September 30, 2005, the Group had no significant contingent liabilities.

Investment in Properties

The Group's leasehold land and building were valued at approximately HK$5.2 million at March 31, 2005 by FPDSavills (Hong Kong) Limited on an open market, existing use basis.

Properties leased in Hong Kong: the Group leases 14 retail outlets from independent third parties with a total floor area of 25,061 sq.ft.. The Group also leases certain units at Siu Lek Yuen, Shatin, New Territories as warehouse and office space.

Property leased in the PRC: the production facilities and dormitories of the Group are located in Shediju, Shenzhen, PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Employees and Remuneration Policies

As at September 30, 2005, the Group had 175 full-time employees in Hong Kong and 379 full-time employees in the PRC. The total number of full-time employees of the Group is 554. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

Foreign Exchange Exposure

The Group had limited exposure to fluctuation in foreign currencies as most of its transactions were conducted in Hong Kong dollars and Renminbi. Exchange rates between these currencies were relatively stable during the period under review. However, the recent fluctuation of the exchange rate of EURO may render the Group suffering a greater exchange risk in the forthcoming year, certain amount of the Group's raw materials and finished goods are sourced from European countries. The Group had no foreign exchange rate hedging arrangement during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provision") set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended September 30, 2005.

Code Provision A.4.1

Each of existing independent non-executive directors of the Company has not entered into a services contract with the Company and does not have specific terms of appointment but are subject for retirement on the same basis as the executive directors as required by the Company's Bye-Laws. The Company shall comply with this Code Provision and fix the terms with all the independent non-executive directors of the Company by entering services contract.

CORPORATE GOVERNANCE *(continued)*

Code Provision A.4.2

In accordance with the Company's Bye-laws, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third) shall retire from office by rotation at each annual general meeting of the Company, but the directors were not required to retire by rotation at least once every three years. In addition, according to the Company's Bye-laws, any directors appointed to fill a casual vacancy shall hold office only the next following annual general meeting and shall then be eligible for re-election at that meeting.

The Board will ensure the retirement of each director by rotation at least once every three years in order to comply with the code provisions of the CG Code and relevant provisions of the Company's Bye-laws will be reviewed and amendment will be proposed in order that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Audit Committee

The Company has an audit committee (the "Committee") which was established on March 14, 2000 in accordance with the requirements of the CG Code, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. The financial statements of the Group for the period ended September 30, 2005 have been reviewed by the Committee. The Committee is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Company has set up a remuneration committee on September 28, 2005 with terms of reference in compliance with the provisions set out in the CG Code, which comprises three members, a majority of whom are independent non-executive directors of the Company. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

CORPORATE GOVERNANCE *(continued)*

Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors (the "Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Code during the six months ended September 30, 2005.

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 in the first half of the year.

By order of the Board
Cheung Yin Sheung Subraina
Chairman

Hong Kong, December 15, 2005

As at the date of this report, the directors of the Company is comprised of six directors, of which three are executive directors, namely Ms. Cheung Yin Sheung Subraina, Mr. Tong Kwong Fat and Ms. Yung Wing Sze Vivian and three are independent non-executive directors, namely Mr. Chan Ka Ling Edmond, Mr. Tsang Wai Kit and Mr. Lo Wa Kei Roy.