THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Offer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Gay Giano International Group Limited, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee. This Composite Offer Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Offer Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document.

TI YU INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

GAY GIANO INTERNATIONAL

GAY GIANO INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

COMPOSITE OFFER DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY

KINGSTON SECURITIES LIMITED

ON BEHALF OF TI YU INVESTMENTS LIMITED FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS IN GAY GIANO INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TI YU INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Ti Yu Investments Limited

KINGSTON CORPORATE FINANCE LIMITED

Independent financial adviser to the Independent Board Committee of Gay Giano International Group Limited

Baron Capital Limited

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 21 to 22 of this Composite Offer Document.

A letter from Baron containing their advice to the Independent Board Committee is set out on pages 23 to 43 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offer are set out on pages 44 to 50 in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 24 August 2007, or such later time and/or date as Ti Yu may announce in accordance with the Takeovers Code.

This Composite Offer Document will remain on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at http://www.gaygiano.com/investmain.html as long as the Offer remains open.

3 August 2007

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2007

Opening date of the Offer *(Note 1)*	Friday, 3 August
Latest time and date for acceptance of the Offer *(Note 2)*	4:00 p.m. on Friday, 24 August
Posting of announcement of the results of the Offer on the Stock Exchange's website	7:00 p.m. on Friday, 24 August
Closing date of the Offer	Friday, 24 August
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received on or before 4:00 p.m. on Friday, 24 August *(Note 3)*	Monday, 3 September

Notes:

1. The Offer, will be closed on Friday, 24 August 2007 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The latest time and date for acceptance of the Offer is 4:00 p.m. on Friday, 24 August 2007. An announcement will be posted on the Stock Exchange's website by 7:00 p.m. on Friday, 24 August 2007 stating whether the Offer has been revised or extended or has expired. In the event that the Offeror decides that the Offer will remain open until further notice, a notice in writing of at least 14 days will be given, before the Offer is closed, to those Shareholders who have not accepted the Offer. If in the course of the Offer, the Offeror revises its terms, all the Shareholders and Optionholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the first closing date of the Offer.

2. Acceptances of the Offer shall be irrevocable and will not be permitted to be withdrawn, except in the circumstances to the effect that if the Offeror is unable to comply with any of the requirements of making announcements under Rule 19 of the Takeovers Code relating to the Offer, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements are met.

3. The consideration payable for the Offer Shares and Options tendered under the Offer shall be paid as soon as possible and in any event within 10 days from the date of receipt by the Registrar of the requisite documents from the Shareholders and Optionholders accepting the Offer.

All time references contained in this Composite Offer Document refer to Hong Kong time.

In this Composite Offer Document, the following expressions shall have the following meanings unless the context indicates otherwise:

"associates"	the meaning ascribed thereto in the Listing Rules
"Baron"	Baron Capital Limited, a licensed corporation permitted to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO, and the independent financial adviser to the Independent Board Committee
"Board"	the board of Directors from time to time
"Business Day"	any day (other than a Saturday or a Sunday), on which banks in Hong Kong are open for business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Gay Giano International Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Share Purchase which has taken place on 10 July 2007.
"Composite Offer Document"	this document jointly issued by and on behalf of Ti Yu and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, among other things, terms and conditions of the Offer, the Form(s) of Acceptance, the advice of Baron to the Independent Board Committee in respect of the Offer and the advice of the Independent Board Committee to the Independent Shareholders in respect of the Offer
"connected persons"	the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company from time to time
"Executive"	the executive director of the Corporate Finance Division of the SFC or any of his delegates for the time being

"Form(s) of Acceptance"	the accompanying form(s) of acceptance and transfer/cancellation in respect of the Offer
"Gay Giano (BVI)" or "Vendor"	Gay Giano (BVI) Group Limited, a company incorporated in the British Virgin Islands with limited liability of which 72.5% is beneficially owned by Mr. Cheung, 12.5% is beneficially owned by Ms. Cheung Yin Sheung, Subraina, being an executive Director, 2.5% is beneficially owned by Mr. Tong Kwong Fat, being an executive Director, and 2.5% is beneficially owned by Ms. Cheung Yin Fong, being the sister of Ms. Cheung Yin Sheung, Subraina and the sister-in-law of Mr. Tong Kwong Fat
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board comprising two independent non-executive Directors constituted to advise the Independent Shareholders in connection with the Offer
"Independent Shareholders"	Shareholders other than Ti Yu, Mr. Wong and parties acting in concert with them
"Joint Announcement"	the announcement dated 5 July 2007 jointly made by the Company and Ti Yu containing, amongst other things, details of the Offer
"Kingston Corporate Finance"	Kingston Corporate Finance Limited, a licensed corporation permitted to carry on business in type 6 (advising on corporate finance) regulated activity under SFO
"Kingston Securities"	Kingston Securities Limited, a licensed corporation permitted to carry on business in type 1 (dealing in securities) regulated activity under SFO
"Last Trading Day"	8 June 2007, being the last trading day for the Shares before the date of the Joint Announcement

"Latest Practicable Date"	1 August 2007, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information for inclusion in this Composite Offer Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Cheung" or "Guarantor"	Cheung Sing Chi, being the 72.5% ultimate beneficial owner of Gay Giano (BVI)
"Mr. Wong"	Wong Pak Lam Louis, the 100% ultimate beneficial owner of Ti Yu
"Offer"	the Share Offer and the Option Offer
"Offer Share(s)"	all issued Share(s) other than those already owned by Ti Yu, Mr. Wong and parties acting in concert with any one of them
"Option(s)"	options granted by the Company under the Share Option Scheme
"Optionholder(s)"	holders of the Options
"Option Offer"	the mandatory unconditional cash offer now made by Kingston Securities, on behalf of Ti Yu, to cancel all the outstanding Options in accordance with Rule 13 of the Takeovers Code
"Option Share(s)"	the Shares to be issued and allotted upon exercise of the Option(s) by the relevant employees including Directors under the Share Option Scheme
"party(ies) acting in concert"	the meaning ascribed thereto in the Takeovers Code
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Registrar"	Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong being the Company's Hong Kong branch share registrar

"Sale and Purchase Agreement"	the agreement dated 26 June 2007 entered into between, among others, Ti Yu and Gay Giano (BVI) in relation to the purchase of 120,000,000 Shares, representing approximately 59.44% and 57.46% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date respectively, from Gay Giano (BVI) by Ti Yu for a total consideration of HK$100,000,000
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Share Offer"	the mandatory unconditional cash offer now made by Kingston Securities, on behalf of Ti Yu, to acquire all the issued Shares (other than those Shares already owned by Ti Yu, Mr. Wong and parties acting in concert with any one of them)
"Share Option Scheme"	the share option scheme adopted by the Company on 14 March 2000
"Share Purchase"	the purchase of 120,000,000 Shares from Gay Giano (BVI) by Ti Yu in accordance with the terms and conditions of the Sale and Purchase Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Ti Yu" or "Offeror"	Ti Yu Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly and beneficially owned by Mr. Wong
"HK$" and "cents"	Hong Kong dollar(s) and cents respectively, the lawful currency of Hong Kong
"%"	per cent.

GAY GIANO INTERNATIONAL

GAY GIANO INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

Executive Directors:
Cheung Yin Sheung, Subraina *(Chairman)*
Tong Kwong Fat *(Chief Executive Officer)*
Yung Wing Sze, Vivian

Non-executive Director:
To Ming Oi, Wendy

Independent non-executive Directors:
Chan Ka Ling, Edmond
Ching Kwok Ho, Samuel
Lo Wa Kei, Roy

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 701-702, 7th Floor
Grandtech Centre
8 On Ping Street
Siu Lek Yuen, Shatin
New Territories
Hong Kong

3 August 2007

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED ON BEHALF OF TI YU INVESTMENTS LIMITED FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS IN GAY GIANO INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TI YU INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

The Sale and Purchase Agreement

On 26 June 2007, Ti Yu and Gay Giano (BVI) and Mr. Cheung (being the beneficial owner of 72.5% of Gay Giano (BVI)) entered into the Sale and Purchase Agreement pursuant to which Ti Yu conditionally agreed to purchase and Gay Giano (BVI) conditionally agreed to sell

120,000,000 Shares, representing approximately 59.44% and 57.46% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date respectively, for a total consideration of HK$100,000,000 (equivalent to approximately HK$0.8333 per Share). The Sale and Purchase Agreement was completed on 10 July 2007.

THE OFFER

Following completion of the Sale and Purchase Agreement, Ti Yu, Mr. Wong and parties acting in concert with any one of them owned an aggregate of 120,000,000 Shares, representing approximately 59.44% and 57.46% of entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date respectively. Accordingly, Ti Yu, Mr. Wong and parties acting in concert with them are required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned by Ti Yu, Mr. Wong and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code and to make a comparable offer for all the outstanding Options pursuant to Rule 13 of the Takeovers Code.

The Independent Board Committee comprising two independent non-executive Directors, namely Mr. Chan Ka Ling, Edmond and Mr. Lo Wa Kei, Roy has been established to advise the Independent Shareholders in respect of the Offer. The Board has appointed Baron as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offer. The appointment of Baron has been approved by the Independent Board Committee.

The purpose of this Composite Offer Document is to provide you with, amongst other things, (i) the information relating to the Group, Ti Yu and the Offer; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer; (iii) the letter from Baron containing its advice to the Independent Board Committee in respect of the Offer; and (iv) the Form of Acceptance.

Issued securities of the Company as at the Latest Practicable Date

As at the date of the Joint Announcement, there were (i) 201,880,000 Shares in issue; and (ii) 13,270,000 Options outstanding which were exercisable at any time and entitle the holders thereof to subscribe for a total of 13,270,000 Shares at an exercise price of HK$0.2528 each. However, pursuant to the Sale and Purchase Agreement, the holders of a total of 6,270,000 Options had cancelled their respective Options on 10 July 2007. In addition, 6,960,000 Options had been exercised up to the Latest Practicable Date. Therefore, as at the Latest Practicable Date, there were (i) 208,840,000 Shares in issue; and (ii) 40,000 Options outstanding. The Optionholders who had cancelled their respective Options under the Sale and Purchase Agreement comprised of (1) 3,000,000 Options held by Mr. Cheung (being the beneficial owner of 72.5% of the Vendor); (2) 1,800,000 Options held by Ms. Cheung Yin Sheung, Subraina (being the beneficial owner of 12.5% of the Vendor); and (3) 1,470,000 Options held

by Mr. Tong Kwong Fat (being the beneficial owner of 2.5% of the Vendor). No consideration was paid to Ms. Cheung, Ms. Cheung Yin Sheung, Subraina and Mr. Tong Kwong Fat for their cancellation of Options.

Save as aforesaid, the Company has no other derivatives, options, warrants and conversion rights or other similar rights which are convertible into Shares as at the Latest Practicable Date.

Issued securities of the Company subject to the Offer

Taking into account (i) 120,000,000 Shares acquired by Ti Yu, Mr. Wong and parties acting in concert with them at the Completion; and (ii) the 40,000 Options outstanding as at the Latest Practicable Date, 88,840,000 Offer Shares are subject to the Share Offer and 40,000 Options are subject to the Option Offer pursuant to Rule 26.1 and 13 of the Takeovers Code, respectively. Optionholders should note that it is within their discretion to exercise the rights attaching to their respective Options during the course of the Offer and to accept the Share Offer in respect of the resulting Shares.

As at the Latest Practicable Date, (i) save for the Sale and Purchase Agreement, there were no arrangements between the parties to the Sale and Purchase Agreement (whether by way of option, indemnity or otherwise) in relation to shares of Ti Yu or the Company which might be material to the Offer; (ii) there were no agreements or arrangements to which Ti Yu is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and (iii) there were no irrevocable commitment to accept the Offer had been received by Ti Yu, Mr. Wong or parties acting in concert with any one of them.

Other than a letter of intent dated 8 June 2007 entered into between Ti Yu and Gay Giano (BVI) in relation to the sale of all of part of the 120,000,000 Shares, there have been no dealings in the Shares by Ti Yu, Mr. Wong and parties acting in concert with any one of them during the six-month period prior to the date of the Sale and Purchase Agreement and up to the Latest Practicable Date.

MANDATORY UNCONDITIONAL CASH OFFER

Principal terms of the Offer

Kingston Securities, on behalf of Ti Yu, unconditionally makes the Offer in compliance with the Takeovers Code on the following basis:

(i) For each Offer Share ..... HK$0.8334 in cash

(ii) For cancellation of each Option (based on the difference between the Offer Price of HK$0.8334 per Offer Share and the exercise price of HK$0.2528 for each Option Share) ..... HK$0.5806 in cash

All the Offer Shares and the Options subject to the Offer will be fully paid and free from all liens, equities, charges and encumbrances and together with all rights now and thereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid after the Completion.

The Offer is unconditional and is therefore not conditional upon any minimum level of acceptances being received nor subject to any other conditions.

INFORMATION ON THE COMPANY

The Company is an investment holding company and its Shares are listed on the Stock Exchange. The Group is principally engaged in the manufacture, retail and wholesale of fashion apparel and complementary accessories.

The following table sets out extracted financial information about the Group:

	For the year ended 31 March 2006 *(audited)* *HK$'000*	For the year ended 31 March 2007 *(audited)* *HK$'000*
Net profit/(loss) before tax	1,680	(1,986)
Net profit/(loss) after tax	2,143	(2,558)

	As at 31 March 2006 *(audited)* *HK$'000*	As at 31 March 2007 *(audited)* *HK$'000*
Net asset value	52,324	50.178

The following table sets out the shareholding structure of the Company (i) immediately before completion of the Share Purchase and (ii) immediately after completion of the Share Purchase but before the close of the Offer:

	Immediately before completion of the Share Purchase		After completion of the Share Purchase and as at the Latest Practicable Date	
	No. of Shares	*% (approx.)*	*No. of Shares*	*% (approx.)*
Ti Yu, Mr. Wong and parties acting in concert with them	0	0	120,000,000	57.46
Mr. Yung Wing Sze *(Note 2)*	0	0	1,170,000	0.56
Mr. Tong Kwong Fat *(Note 2)*	0	0	330,000	0.16
Gay Giano (BVI)	120,000,000	59.44	0	0
K & E Industries Limited *(Note 1)*	28,374,000	14.06	*(Note 1)*	*(Note 1)*
Public Shareholders	53,506,000	26.50	87,340,000	41.82
Total	**201,880,000**	**100.00**	**208,840,000**	**100.00**

Note:

(1) K & E Industries Limited is a company incorporated in Hong Kong with limited liability and ultimately owned by Mr. Chuang Tsoi Hung, Thomas. Immediately before completion of the Share Purchase, save for being a substantial Shareholder, K & E Industries Limited and its ultimate beneficial owner are third parties independent of and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). As at the Latest Practicable Date, according to the "Disclosure of interests" on the Stock Exchange's website, K&E Industries Limited was no longer a substantial Shareholder under Part XV of the SFO and was therefore categorized as a public Shareholder.

(2) Ms. Yung Wing Sze and Mr. Tong Kwong Fat are the executive Directors of the Company. On 30 July 2007, Ms. Yung Wing Sze, Vivian ("Ms. Yung") and Mr. Tong Kwong Fat ("Mr. Tong") exercised 1,170,000 and 330,000 Options, respectively, at the exercise price of HK$0.2528 per Share. As a result, 1,170,000 and 330,000 new Shares were issued by the Company to Ms. Yung and Mr. Tong on 30 July 2007, respectively.

INFORMATION ON TI YU AND ITS INTENTION REGARDING THE GROUP

Your attention is drawn to the sections headed "Information on Ti Yu" and "Intention of Ti Yu regarding the Group" in the letter from Kingston Securities set out on pages 12 to 20 in this Composite Offer Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Ti Yu intends that the Company will remain listed on the Stock Exchange after the close of the Offer. The Company, Directors, Ti Yu and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

— a false market exists or may exist in the trading of the Shares; or

— there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATIONS

Your attention is drawn to the respective letters from the Independent Board Committee and Baron set out on pages 21 to 22 and pages 23 to 43 of this Composite Offer Document containing their respective recommendations and advice in respect of the Offer.

Mr. Ching Kwok Ho, Samuel, an independent non-executive Director, had at the request of an agent of Ti Yu (a personal friend of Mr. Ching), introduced that agent to Mr. Cheung subsequent to which negotiations which culminated in the Share Purchase were initiated. Mr. Ching did not participate in any of the negiotiations relating to the Share Purchase. Mr. Ching has confirmed that (i) he has not, and will not, receive any benefit from the agent or from the Offeror or parties acting in concert with it in connection with such introduction; and (ii) he has not had any prior business dealings or relationship with Ti Yu or any party acting in concert with it (excluding, for the avoidance of doubt, his personal friend being the agent of Ti Yu which he introduced to Mr. Cheung and with whom he had in the past a client solicitor relationship, which relationship was not material to the law practice of Mr. Ching).

The Independent Board Committee, having considered the circumstances above, considered that Mr. Ching's role in effecting the introduction described above and his relationship with Ti Yu's agent do not affect the independence of Mr. Ching as a member of the Independent Board Committee. However, to avoid any suggestions otherwise, Mr. Ching has withdrawn from the Independent Board Committee. Baron also concurred with the views of the Independent Board Committee.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from Kingston Securities set out on pages 12 to 20 in this Composite Offer Document as well as the additional information contained in Appendices I to III to this Composite Offer Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of the Board
Gay Giano International Group Limited
Cheung Yin Sheung, Subraina
Chairman

KINGSTON SECURITIES LIMITED

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central, Hong Kong

3 August 2007

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED ON BEHALF OF TI YU INVESTMENTS LIMITED FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS IN GAY GIANO INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TI YU INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

The Sale and Purchase Agreement

On 26 June 2007, Ti Yu and Gay Giano (BVI) and Mr. Cheung (being the 72.5% beneficial owner of Gay Giano (BVI)) entered into the Sale and Purchase Agreement pursuant to which Ti Yu conditionally agreed to purchase and Gay Giano (BVI) conditionally agreed to sell 120,000,000 Shares, representing approximately 59.44% and 57.46% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date respectively, for a total consideration of HK$100,000,000 (equivalent to approximately HK$0.8333 per Share). The Sale and Purchase Agreement was completed on 10 July 2007.

THE OFFER

Following completion of the Sale and Purchase Agreement, Ti Yu, Mr. Wong and parties acting in concert with them owned an aggregate of 120,000,000 Shares, representing approximately 59.44% and 57.46% of entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date respectively. Accordingly, Ti Yu, Mr. Wong and parties acting in concert with them are required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned by Ti Yu, Mr. Wong and parties acting in concert with any one of them) pursuant to Rule 26.1 of

the Takeovers Code and to make a comparable offer for all the outstanding Options pursuant to Rule 13 of the Takeovers Code.

The Independent Board Committee comprising two independent non-executive Directors, namely Mr. Chan Ka Ling, Edmond and Mr. Lo Wa Kei, Roy has been established to advise the Independent Shareholders in respect of the Offer. The Board has appointed Baron as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offer. The appointment of Baron has been approved by the Independent Board Committee.

The purpose of this Composite Offer Document is to provide you with, amongst other things, (i) the information relating to the Group, Ti Yu and the Offer; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer; (iii) the letter from Baron containing its advice to the Independent Board Committee in respect of the Offer; and (iv) the Form of Acceptance.

Issued securities of the Company as at the Latest Practicable Date

As at the date of the Joint Announcement, there were (i) 201,880,000 Shares in issue; and (ii) 13,270,000 Options outstanding which were exercisable at any time and entitle the holders thereof to subscribe for a total of 13,270,000 Shares at an exercise price of HK$0.2528 each. However, pursuant to the Sale and Purchase Agreement, the holders of a total of 6,270,000 Options had cancelled their respective Options on 10 July 2007. In addition, 6,960,000 Options had been exercised up to the Latest Practicable Date. Therefore, as at the Latest Practicable Date, there were (i) 208,840,000 Shares in issue; and (ii) 40,000 Options outstanding. The Options cancelled comprised of (1) 3,000,000 Options held by Mr. Cheung (being the 72.5% beneficial owner of the Vendor); (2) 1,800,000 Options held by Ms. Cheung Yin Sheung, Subraina (being the 12.5% beneficial owner of the Vendor); and (3) 1,470,000 Options held by Mr. Tong Kwong Fat (being the 2.5% beneficial owner of the Vendor). No consideration was paid to Mr. Cheung, Ms. Cheung Yin Sheung, Subraina and Mr. Tong Kwong Fat for the cancellation of their Options.

Save as aforesaid, the Company has no other derivatives, options, warrants and conversion rights or other similar rights which are convertible into Shares as at the Latest Practicable Date.

Issued securities of the Company subject to the Offer

Taking into account (i) 120,000,000 Shares acquired by Ti Yu, Mr. Wong and parties acting in concert with any one of them at the Completion; and (ii) the 40,000 Options remains outstanding as at the Latest Practicable Date, 88,840,000 Offer Shares are subject to the Share Offer and 40,000 Options are subject to the Option Offer pursuant to Rule 26.1 and 13 of the Takeovers Code, respectively. The Optionholders should note that it is within their discretion to exercise the rights attaching to their respective Options during the course of the Offer and to accept the Share Offer in respect of the resulting Shares.

As at the Latest Practicable Date, (i) save for the Sale and Purchase Agreement, there were no arrangements between the parties to the Sale and Purchase Agreement (whether by way of option, indemnity or otherwise) in relation to shares of Ti Yu or the Company which might be material to the Offer; (ii) there were no agreements or arrangements to which Ti Yu is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and (iii) there were no irrevocable commitments to accept the Offer has been received by Ti Yu, Mr. Wong or parties acting in concert with any one of them.

Other than a letter of intent dated 8 June 2007 entered into between Ti Yu and Gay Giano (BVI) in relation to the sale of all of part of the 120,000,000 Shares, there has been no dealings in the Shares by Ti Yu, Mr. Wong and parties acting in concert with any one of them during the six-month period prior to the date of the Sale and Purchase Agreement and up to the Latest Practicable Date.

MANDATORY UNCONDITIONAL CASH OFFER

Principal terms of the Offer

Kingston Securities, on behalf of Ti Yu, unconditionally makes the Offer in compliance with the Takeovers Code on the following basis:

(i) For each Offer Share ..... HK$0.8334 in cash

(ii) For cancellation of each Option (based on the difference between the Offer Price of HK$0.8334 per Offer Share and the exercise price of HK$0.2528 for each Option Share) ..... HK$0.5806 in cash

All the Offer Shares and the Options subject to the Offer will be transferred fully paid and free from all liens, equities, charges and encumbrances and together with all rights now and thereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid after Completion.

The Offer is unconditional and is therefore not conditional upon any minimum level of acceptances being received nor subject to any other conditions.

Comparison of value

The price of HK$0.8334 for each Offer Share is slightly higher than the consideration for each Share acquired under the Sale and Purchase Agreement and such price represents:

(a) a discount of approximately 20.63% to the closing price of HK$1.05 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 18.77% to the average of the closing prices of HK$1.026 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 19.74% over the average of the closing prices of HK$0.696 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 245.81% over the unaudited consolidated net asset value per Share of approximately HK$0.241 as at 30 September 2006 based on 200,130,000 Shares in issue as at 30 September 2006 as stated in the interim report 2006;

(e) a premium of approximately 232.03% over the audited consolidated net asset value per Share of approximately HK$0.251 as at 31 March 2007 based on 200,130,000 Shares in issue as at 31 March 2007 as stated in the annual report 2007; and

(f) a discount of approximately 76.91% to the closing price of HK$3.61 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Total consideration

As at the Latest Practicable Date, there were (i) 208,840,000 Shares in issue; and (ii) 40,000 Options outstanding which are exercisable at any time and entitle the holders thereof to subscribe for a total of 40,000 Shares at an exercise price of HK$0.2528 each.

Based on the offer price of HK$0.8334 per Offer Share, the entire issued share capital of the Company is valued at approximately HK$174.05 million and the number of 88,840,000 Offer Shares under the Share Offer are valued at approximately HK$74.04 million and the 40,000 Options under the Option Offer are valued at approximately HK$23,224 based on the offer price of HK$0.5806 per Option.

The aggregate consideration for the Offer will be financed by a credit facility provided by Kingston Securities to Ti Yu. The granting of such credit facility, under which the proceeds drawn shall be applied solely for the purposes of satisfying the purchase price of the Offer Shares and Options under the Offer, is conditional upon, amongst other things, all the Shares

purchased by Ti Yu pursuant to the Sale and Purchase Agreement and all the Shares to be acquired by Ti Yu under the Offer (if any) by use of the loan facility being deposited with Kingston Securities from time to time as collateral for such loan facility. The arrangement above will not result in a change of the voting rights of Ti Yu in respect of the collateralized Shares. The collateralized Shares shall be released to Ti Yu immediately upon full repayment of all the outstanding amounts of the loan facility and the interest thereon. Ti Yu confirms that repayment of the credit facility, the interest accrued thereon or any liability thereunder will not be dependent on the business of the Company. Both Kingston Securities and Kingston Corporate Finance are satisfied that there are sufficient financial resources available to Ti Yu to meet the full acceptance of the Offer.

Effect of accepting the Offer

By accepting (i) the Share Offer, the accepting Shareholders will sell their respective Shares and all rights attached to them; and (ii) the Option Offer, the accepting Optionholders will surrender to the Company their respective Options for cancellation by the Company.

Payment

Payment in cash in respect of acceptances of the Offer shall be made to the accepting Shareholders by the Offeror as soon as possible and in any event within 10 days from the receipt of duly completed Form of Acceptance.

Stamp duty

Stamp duty at a rate of HK$1 for every HK$1,000 (or part of thereof) of the amount payable in respect of relevant acceptances will be deducted from the amount payable to the Shareholders who accept the Share Offer. Ti Yu will then pay such stamp duty deducted to the stamp office of the Inland Revenue Department of Hong Kong on behalf of such Shareholders who accept the Share Offer.

Compulsory acquisition

Ti Yu does not intend to exercise any right which may be available to it to acquire compulsorily any outstanding issued Shares and Options which are subject to the Offer after it is closed.

DEALINGS IN SHARES

Ti Yu confirms that during the period commencing six months prior to the date of the Joint Announcement and up to the Latest Practicable Date, save for the 120,000,000 Shares acquired under Share Purchase, Ti Yu, Mr. Wong and parties acting in concert with any one of them did not have any shareholding interest in the Company, none of Ti Yu, Mr.Wong and parties acting in concert with any one of them had dealt in any Shares or other securities of the Company.

HIGHEST AND LOWEST CLOSING PRICES OF THE SHARES

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period preceding the date of the Joint Announcement and ending on the Latest Practicable Date were HK$3.93 per Share on 16 July 2007 and HK$0.13 per Share on 29 January 2007 to 2 February 2007 and 5 February 2007 respectively.

INFORMATION ON TI YU

Ti Yu is an investment holding company incorporated in the British Virgin Islands with limited liability on 9 June 2006 and is wholly owned by Mr. Wong. Other than the entering into of the Sale and Purchase Agreement, Ti Yu has not conducted any business since its incorporation.

Mr. Wong, aged 29, completed the law study programme at the Southwest University of Political Science and Law in the PRC in 2001. Being the deputy managing director of Guangdong Liantai Group, he is responsible for the group's various investment projects. He is experienced in exploring opportunities for business development in the PRC. He is a member of the Chinese People's Political Consultative Conference Shenzhen Committee. Mr. Wong is not a director of any of the listed companies in which he has substantial investments.

INTENTION OF TI YU REGARDING THE GROUP

It is the intention of Ti Yu that the existing principal activities of the Company will remain unchanged and Ti Yu has no intention to put forward any major or material changes to the business of the Company and there is no plan to dispose of or re-deploy the assets of the Group other than in the ordinary course of business or to inject Ti Yu's assets into the Group. If there is any asset injection or disposal by the Group following the close of the Offer, the implementation of such will be in accordance with all applicable laws, regulations and relevant provisions under the Listing Rules. Following the close of the Offer, Ti Yu intends to conduct a review of the Group's financial position and operations and formulate a long-term strategy and plans for the Group in order to broaden and expand the scope of business of the Group.

PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD

It is expected that Ms. Cheung Yin Sheung, Subraina, Mr. Tong Kwong Fat and Ms. Yung Wing Sze, Vivian, all being executive Directors, and Ms. To Ming Oi, Wendy, being the non-executive Director, will resign and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code and in accordance with the relevant employment contracts. Further announcement will be made in compliance with the Listing Rules and the Takeovers

Code upon such resignations. It is proposed that Mr. Wong, Mr. Wong Kin Tung and Mr. Wong Kwong Lung, Terence will be appointed as executive Directors at the earliest time allowed under the Takeovers Code, i.e. the despatch of this Composite Offer Document. Details of the proposed Directors are set out as follow:

(1) Executive Director — Mr. Wong

Mr. Wong, aged 29, completed the law study programme at the Southwest University of Political Science and Law in the PRC in 2001. Being the deputy managing director of Guangdong Liantai Group, he is responsible for the group's various investment projects. He is experienced in exploring opportunities for business development in the PRC. He is a member of the Chinese People's Political Consultative Conference Shenzhen Committee.

(2) Executive Director — Mr. Wong Kin Tung

Mr. Wong Kin Tung, aged 32, the brother of Mr. Wong, is an infrastructure engineer. Being the deputy managing director of Guangdong Liantai Group, he is responsible for the group's property development project.

(3) Executive Director — Mr. Wong Kwong Lung, Terence

Mr. Wong Kwong Lung, Terence, aged 45, has over 15 years of experience in property development and investment in Hong Kong and the PRC. He was an independent non-executive director of Skyfame Realty (Holdings) Limited, the shares of which are listed on the Stock Exchange, for the period from 20 June 2001 to 29 December 2004.

Save as disclosed above, it is the intention of Ti Yu that there will be no material change in the existing management and employees of the Group following the close of the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Ti Yu intends that the Company will remain listed on the Stock Exchange after the close of the Offer. The Company, Directors, Ti Yu and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

— a false market exists or may exist in the trading of the Shares; or

— there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend trading in the Shares.

FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Offer Document and in the Form of Acceptance.

GENERAL

Dealing disclosure

Stockbrokers, banks and others who deal in the relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK$1 million.

The dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in the relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

Any associates of the Company, Ti Yu and parties acting in concert with them respectively are reminded to disclose their dealings in any securities of the Company.

General

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The attention of Overseas Shareholders is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Offer Document.

Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Baron set out in this Composite Offer Document.

Your attention is drawn to the additional information set out in the Appendices, which form part of this Composite Offer Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Nicholas Chu
Director

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Offer.

GAY GIANO INTERNATIONAL

GAY GIANO INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

3 August 2007

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED ON BEHALF OF TI YU INVESTMENTS LIMITED FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS IN GAY GIANO INTERNATIONAL GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY TI YU INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

As the Independent Board Committee, we have been appointed to advise you in connection with the Offer, details of which are set out in the Composite Offer Document dated 3 August 2007 jointly issued by Ti Yu and the Company, of which this letter forms part. Terms used in this letter have the same meanings as given to them in the Composite Offer Document unless the context otherwise requires.

We note that one of our members, Mr. Ching Kwok Ho, Samuel had at the request of an agent of Ti Yu (a personal friend of Mr. Ching), introduced that agent to Mr. Cheung subsequent to which negotiations which culminated in the Share Purchase were initiated. Mr. Ching did not participate in any of the negiotiations relating to the Share Purchase. Mr. Ching has confirmed that (i) he has not, and will not, receive any benefit from the agent or from the Offeror or parties acting in concert with it in connection with such introduction; and (ii) he has not had any prior business dealings or relationship with Ti Yu or any party acting in concert with it (excluding, for the avoidance of doubt, his personal friend being the agent of Ti Yu which he introduced to Mr. Cheung and with whom he had in the past a client solicitor relationship, which relationship was not material to the law practice of Mr. Ching).

Having considered the circumstances above, considered that Mr. Ching's role in effecting the introduction described above and his relationship with Ti Yu's agent do not affect the independence of Mr. Ching as a member of the Independent Board Committee. However, to avoid any suggestions otherwise, Mr. Ching has withdrawn from the Independent Board Committee. We note that the Independent Financial Adviser also concurred with our view.

Your attention is drawn to the "Letter from the Board" and the "Letter from Kingston Securities" as set out on pages 5 to 11 and pages 12 to 20 respectively in the Composite Offer Document and the "Letter from Baron" as set out on pages 23 to 43 of the Composite Offer Document containing their advice to the Independent Board Committee regarding the Offer. Having considered the advice given in the letter from Baron, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, we concur with the advice from Baron and recommend the Independent Shareholders and Optionholders to accept the Offer.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Gay Giano International Group Limited

Chan Ka Ling, Edmond	**Lo Wa Kei, Roy**
Independent non-executive Director	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee from Baron dated 3 August 2007 prepared for the purpose of incorporation in this Composite Offer Document.

4/F, Aon China Building
29 Queen's Road Central
Central, Hong Kong

3 August 2007

To the Independent Board Committee of
Gay Giano International Group Limited

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
TI YU INVESTMENTS LIMITED
FOR ALL THE ISSUED SHARES AND OUTSTANDING OPTIONS IN
GAY GIANO INTERNATIONAL GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
TI YU INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment by Gay Giano International Group Limited to advise its independent board committee formed in respect of the mandatory unconditional cash offer, details of which are set out under the section headed "Letter from the Board" contained in the composite offer document dated 3 August 2007 (the "Composite Offer Document"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

On 5 July 2007, the Company and Ti Yu jointly announced that the Sale and Purchase Agreement was entered into among Ti Yu, Gay Giano (BVI), Mr. Wong (being the sole beneficial owner of Ti Yu), and Mr. Cheung (being the beneficial owner of 72.5% of Gay Giano (BVI)) on 26 June 2007, pursuant to which Ti Yu conditionally agreed to purchase and Gay Giano (BVI) conditionally agreed to sell 120,000,000 Shares for a total consideration of HK$100,000,000 (equivalent to approximately HK$0.8333 per Share). Immediately after the Completion, which took place on 10 July 2007, and as at the Latest Practicable Date, Ti Yu, Mr. Wong and parties acting in concert with them were interested in an aggregate of

120,000,000 Shares, representing approximately 57.46% of the entire issued share capital of the Company as at the Latest Practicable Date and 40,000 Options remained outstanding. Accordingly, Ti Yu, Mr. Wong and parties acting in concert with them are obliged to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned by Ti Yu, Mr. Wong and parties acting in concert with any one of them) pursuant to Rule 26.1 of the Takeovers Code and to make a comparable offer for all outstanding Options pursuant to Rule 13 of the Takeovers Code.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the two independent non-executive Directors, namely, Mr. Chan Ka Ling, Edmond and Mr. Lo Wa Kei, Roy, has been formed to advise the Independent Shareholders and the Optionholders in respect of the Offer. As stated in the paragraph headed "Recommendation" under the section headed "Letter from the Board" in the Composite Offer Document, Mr. Ching Kwok Ho, Samuel ("Mr. Ching"), an independent non-executive Director, had at the request of an agent of Ti Yu (a personal friend of Mr. Ching), introduced that agent to Mr. Cheung subsequent to which negotiations which culminated in the Share Purchase were initiated. Mr. Ching did not participate in any of the negiotiations relating to the Share Purchase. Mr. Ching has confirmed that (i) he has not, and will not, receive any benefit from the agent or from the Offeror or parties acting in concert with it in connection with such introduction; and (ii) he has not had any prior business dealings or relationship with Ti Yu or any party acting in concert with it (excluding, for the avoidance of doubt, his personal friend being the agent of Ti Yu which he introduced to Mr. Cheung and with whom he had in the past a client solicitor relationship, which relationship was not material to the law practice of Mr. Ching).

The Independent Board Committee, having considered the circumstances above, considered that Mr. Ching's role in effecting the introduction described above and his relationship with Ti Yu's agent do not affect the independence of Mr. Ching as a member of the Independent Board Committee. However, to avoid any suggestions otherwise, Mr. Ching has withdrawn from the Independent Board Committee. We concurred with the views of the Independent Board Committee.

We have been appointed and approved by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer pursuant to Rule 2.1 of the Takeovers Code.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information and representations contained or referred to in the Composite Offer Document and the information supplied and the opinions expressed by the Directors and the management of the Company. We have assumed that the information and representations contained or referred to in the Composite Offer Document and the information supplied and the opinions expressed by the Directors and the management of the Company are true, accurate and complete at the time they were made and continue to be so as at the date of the Composite Offer Document.

We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

Having made all reasonable enquires, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Composite Offer Document and further confirmed that, to their best knowledge and belief, there are no other fact or representation the omission of which would make any statements in the Composite Offer Document, including this letter, misleading.

We have not, however, conducted any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and its proposed business plan nor have we considered the taxation implications on the Independent Shareholders and the Optionholders in respect of their acceptance or non-acceptance of the Offer since these are particular to their own individual circumstances.

PRINCIPAL TERMS OF THE OFFER

Kingston Securities, on behalf of the Offeror, is making the Share Offer for all the issued Shares other than those already owned by or agreed to be acquired by the Offeror, Mr. Wong and parties acting in concert with them and the Option Offer for cancellation of all outstanding Options in compliance with the Takeovers Code on the following basis:

For each Offer Share ..... **HK$ 0.8334 in cash**
For cancellation of each Option (based on the difference between the Offer price of HK$0.8334 per Offer Share and the exercise price of HK$0.2528 for each Option Share) ..... **HK$ 0.5806 in cash**

All the Offer Shares and the Options subject to the Offer will be fully paid and free from all liens, equities, charges and encumbrances and together with all rights now and thereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid after the Completion.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in Appendix I to the Composite Offer Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in respect of the Offer, we have taken into consideration the following principal factors and reasons:

I. The Share Offer

1. Business and prospects of the Group

The Company is an investment holding company and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture, retail and wholesale of fashion apparel and complementary accessories.

According to the annual reports of the Company for the three financial years ended 31 March 2007, the Group's revenue was derived predominantly from the retail and wholesale of fashion apparel segment and Hong Kong is the major geographical segment of the Group.

According to the data sourced from the website of the Census and Statistics Department of Hong Kong, the Gross Domestic Product (GDP) in Hong Kong in the first quarter of 2007 encountered an increase of 5.6% in real terms over a year earlier and the private consumption expenditure also grew by 5.6% in real terms in the first quarter of 2007 over a year earlier. Moreover, according to a press release on statistics posted on the website of the Census and Statistics Department of Hong Kong on 3 July 2007, the total retail sales for the first five months of 2007 increased by 8.3% in value or 6.2% in volume over the same period a year earlier. Despite the above, the operating environment in the retail industry is getting rather stiff, the entries of various famous foreign brands, such as Zara and Mango, which compete for the same group of customers of the Group, further intensify the competition in Hong Kong fashion market. The local retail chains had been forced to have price reduction, which was also one of the marketing strategies implemented by the Group, and this eventually led to decrease of their gross profits. Furthermore, the retail rentals are expected to be in an increasing trend. We have also noted from a market report sourced from the website of Colliers International (Hong Kong) Limited in relation to the market overview for July 2007 that due to the sustained growth of local consumption and the strong occupational demand for prime retail units, the average retail rentals in traditional shopping districts showed a quarter-on-quarter increase of 10% from HK$345 per sq ft per month in February 2007 to HK$378 per sq ft per month as at the end of May 2007.

As advised by the Company, there had not been any material change in the operating environment of the Group since 31 March 2007 and the Group continued to face a challenging operating environment including the increase in retail rentals and the administrative costs. We are of the opinion that, taking into account the increase in new entries to the local fashion market and the increase in retail rentals, the operating environment of the Group will be challenging and the competition in the local fashion market remains to be keen.

2. Historical financial performance of the Group

The following table summarizes the audited consolidated results of the Group for each of the three financial years ended 31 March 2007 as extracted from the Company's annual reports. Further details of the results and other financial information of the Group are set out in Appendix II to the Composite Offer Document.

	Year ended 31 March		
	2007	**2006**	**2005**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Turnover	131,447	132,785	126,404
Gross profit	85,511	88,662	88,328
Gross profit margin	65.1%	66.8%	69.9%
(Loss)/profit before tax	(1,986)	1,680	14,182
Tax	(572)	463	(235)
Net (loss)/profit	(2,558)	2,143	13,947
(Loss)/earnings per Share			
— basic	HK(1.28) cents	HK1.07 cents	HK6.97 cents
Total assets of the Group	63,629	68,438	63,346
Net current assets of the Group	35,020	33,894	30,504
Net assets of the Group	50,178	52,324	49,780

Financial performance for the year ended 31 March 2005

According to the annual report of the Company for the year ended 31 March 2005 (the "Annual Report 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 in 2004 to net profit attributable to the Shareholders of approximately HK$13.9 million in 2005. This significant improvement is the result of the valuable contribution dedicated by the management team, including the restructuring of the distributional channel, such as to relocate the retail outlets to smaller locations in the same shopping mall so as to improve the contribution from each floor area to the Group's turnover and to control the rental costs to the Group, and the gradual economic recuperation in Hong Kong.

Moreover, the Group's turnover for the year ended 31 March 2005 increased by approximately 3.4% to approximately HK$126.4 million as compared with that for the previous year, due to the improvement in distributional efficiency of the Group. The gross profit margin of the Group improved by approximately 7.2% as compared with that for the previous year, due to the effective production cost control and customers' recognition of the Group's well-established brands and products.

As at 31 March 2005, total assets of the Group increased by approximately 16.1% to approximately HK$63.3 million, with net current assets increased by approximately 87.8% to approximately HK$30.5 million due to the increased level of inventories and bank balances and cash during the year. Accordingly, the net assets of the Group increased to approximately HK$49.8 million.

Financial performance for the year ended 31 March 2006

As mentioned in the annual report of the Company for the year ended 31 March 2006 (the "Annual Report 2006"), the gross profit margin of the Group for the year ended 31 March 2006 was maintained at approximately 66.8%, representing an approximately 3.1% decrease as compared with that for the previous year, due to the inflation of imported fabrics and fashion accessories from European countries, and the keen price competition in the fashion retail market. The Group was able to achieve an increase in turnover of approximately 5.0% to approximately HK$132.8 million for the year ended 31 March 2006, which is mainly due to the Group's effort in the restructuring of the distributional channel and in promoting the customers' recognition of the Group. The growth in turnover of the Group however was limited by the keen competition in the fashion market and slower than expected momentum in the economic recovery. The net profit for the year ended 31 March 2006 decreased by approximately 84.6% to approximately HK$2.1 million and is mainly due to the highly competitive operating environment in the retail market including the increase in retail rentals and the administrative costs such as staff salaries, which had outweighed the Group's effort in the restructuring of the distributional channel as mentioned above, and an one-off property disposal profit of approximately HK$4.9 million was recorded in previous year. As shown in the Annual Report 2006, the retail rentals showed an increase of approximately HK$2.4 million, or an increase of approximately 7.9%, from financial year 2005, despite the total retail floor area remained at a similar level in both years. The administrative expenses also showed an increase of approximately HK$5.1 million, or an increase of approximately 14.1%, from the financial year 2005.

As at 31 March 2006, total assets of the Group increased by approximately 8.0% to approximately HK$68.4 million, with net current assets increased by approximately 11.1% to approximately HK$33.9 million due to the increased level of inventories. Accordingly, the net assets of the Group increased to approximately HK$52.3 million.

Financial performance for the year ended 31 March 2007

As mentioned in the annual report of the Company for the year ended 31 March 2007 (the "Annual Report 2007"), the Group's turnover for the year ended 31 March 2007 was maintained at a similar level of approximately HK$131.4 million, representing a decrease of approximately 1.0% as compared with that for the previous year, due to the keen price competition in fashion market. The gross profit margin of the Group for the year ended 31 March 2007 was approximately 65.1%, representing a decrease of approximately 1.7% as compared with that for the previous year, due to the price inflation of imported fabrics and fashion accessories from European countries, and the keen price competition in the retail market.

As a result of the continuing highly competitive operating environment, the Group recorded a net loss of approximately HK$2.6 million for the year ended 31 March 2007 as compared to the net profit of approximately HK$2.1 million in the previous year.

As at 31 March 2007, total assets of the Group decreased by approximately 7.0% to approximately HK$63.6 million, with net current assets increased by approximately 3.3% to approximately HK$35.0 million due to decrease in accrued liabilities and other payables. Accordingly, the net assets of the Group decreased to approximately HK$50.2 million.

Taking into account the business prospects of the Group as referred to in the sub-paragraph headed "Business and prospects of the Group" above and the given historical financial performance of the Group as analysed above, we are of the view that, the operating environment for the Group remains to be challenging, particularly taking into account the keen competition in the fashion market, increase in imported costs of the raw materials and fabrics and increase in the rental costs in Hong Kong. As stated earlier, most of the turnover of the Group is generated from the local market. We consider that the entries of various overseas fashion brands, which may directly compete with the Group by price, will inevitably bring down the profit margin of the Group. Besides, those overseas brands had tried to increase their brand recognition and awareness by opening up retail shops in the prime areas in Hong Kong, thereby further pushing up the local retail rentals.

3. Background of Ti Yu and its intention regarding the future of the Group

Background of Ti Yu

As stated in the paragraph headed "Information on Ti Yu" under the section headed "Letter from Kingston Securities" in the Composite Offer Document, Ti Yu is an investment holding company incorporated in the British Virgin Islands with limited liability on 9 June 2006 and is wholly owned by Mr. Wong. Other than the entering into of the Sale and Purchase Agreement, Ti Yu has not conducted any business since its incorporation.

Mr. Wong, aged 29, completed the law study programme at the Southwest University of Political Science and Law in the PRC. Being the deputy managing director of Guangdong Liantai Group, he is responsible for the group's various investment projects. He is experienced in exploring opportunities for business development in the PRC. He is a member of the Chinese People's Political Consultative Conference Shenzhen Committee. Mr. Wong is not a director of any of the listed companies in which he has substantial investments.

Intention of Ti Yu regarding the future of the Group

It is the intention of Ti Yu that the existing principal activities of the Company will remain unchanged and Ti Yu has no intention to put forward any major or material changes to the business of the Company and there is no plan to dispose of or re-deploy the assets of the Group other than in the ordinary course of business or to inject Ti Yu's assets into the Group. If there is any asset injection or disposal by the Group following the close of the Offer, the implementation of such will be in accordance with all applicable laws, regulations and relevant provisions under the Listing Rules. Following the close of the Offer, Ti Yu intends to conduct a review of the Group's financial position and operations and formulate a long-term strategy and plans for the Group in order to broaden and expand the scope of business of the Group.

Currently, the Board comprises three executive Directors, namely, Ms. Cheung Yin Sheung, Subraina, Mr. Tong Kwong Fat and Ms. Yung Wing Sze, Vivian, one non-executive Director, namely, Ms. To Ming Oi, Wendy, and three independent non-executive Directors, namely, Mr. Chan Ka Ling, Edmond, Mr. Ching Kwok Ho, Samuel and Mr. Lo Wa Kei, Roy. As referred to in the paragraph headed "Proposed change of the composition of the Board" under the section headed "Letter from Kingston Securities" in the Composite Offer Document, it is expected that all of the existing executive and non-executive Directors will resign and such resignations will take effect in full compliance with Rule 7 of the Takeovers Code and in accordance with the relevant employment contracts. It is

proposed that Mr. Wong, Mr. Wong Kin Tung and Mr. Wong Kwong Lung, Terence will be appointed as executive Directors at the earliest time allowed under the Takeovers Code, that is, the despatch of the Composite Offer Document. As referred to in the same paragraph under the section headed "Letter from Kingston Securities" in the Composite Offer Document, Mr. Wong is experienced in exploring opportunities for business development in the PRC. Mr. Wong Kin Tung, being the brother of Mr. Wong, possesses experience in the senior management level. Mr. Wong Kwong Lung, Terence has over 15 years of experience in property development and investment in Hong Kong and the PRC and was an independent non-executive director of a listed company in Hong Kong for the period from 20 June 2001 to 29 December 2004.

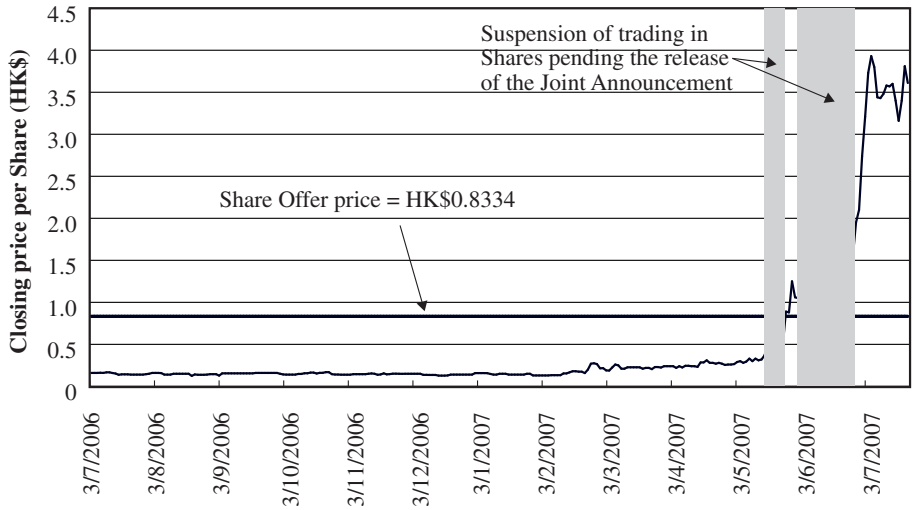
Given that all the existing executive and non-executive Directors will resign from the Board, there are uncertainties as to the impact of such resignation on the Company's operation. Taking into account that Ti Yu has the intention to maintain the existing principal activities of the Company and no major changes will be made to the Group's assets other than in the ordinary course of business, the operating environment of the Company remains to be challenging. The Share Offer, however, provides an alternative ready exit for the Independent Shareholders to realize their investments in the Shares which may not exist in the open market. Independent Shareholders who have confidence in the Group's business may consider not accepting the Share Offer but they are reminded to take into account the relevant risks and uncertainties involved.

4. Price performance and trading liquidity of the Shares

(i) Historical Share price performance

The chart below illustrates the daily closing price per Share as quoted on the Stock Exchange from 3 July 2006 up to and including the Latest Practicable Date (the "Review Period"). In the context of evaluating a general offer, we consider that the length of the Review Period, which commences about a year before the suspension of the trading in the Shares prior to the Joint Announcement, provides sufficient data for us to analyse the historical performance of the Shares while avoiding any possible distortion to the results of the analysis caused by short-term market volatility.

Closing prices of the Shares during the Review Period



Source: Website of the Stock Exchange (www.hkex.com.hk)

As shown in the above chart, the closing prices of the Shares were within a narrow range of HK$0.125 and HK$0.5 per Share during the period from 3 July 2006 to 25 May 2007, being the last full trading day of the Shares before the suspension of trading in Shares on 28 May 2007 pending the release of the price sensitive information announcement dated 1 June 2007 in respect of the negotiation of the Share Purchase (the "Price Sensitive Announcement"). The closing price of the Shares shot up to HK$0.89 per Share on 4 June 2007, the date on which the Price Sensitive Announcement was released and trading in Shares resumed. The closing price of the Shares rose to close at HK$1.25 per Share on 6 June 2007, which was probably prompted by market speculation of the possible change in control of the Company. Trading of Shares was suspended again with effect from 11 June 2007 pending the release of the Joint Announcement. After the issue of the Joint Announcement, the closing price of the Shares closed at HK$1.56 per Share on 6 July 2007 and stayed at above that level until the Latest Practicable Date. We believe such increase in closing prices of the Shares after the release of the Joint Announcement as compared to the closing prices of the Shares prior to the release of the Joint Announcement was largely prompted by market speculation over the future prospect of the Group after the change in control of the Company. We consider that surge in the closing prices of the Shares after the release of the Joint Announcement and up to the Latest Practicable Date was neither supported by the asset base of the Group nor reflected any improvement in the fundamental factors of the Group. As such, we are of the view that the closing prices of the Shares after the release of the Joint Announcement,

which was largely as a result of market speculation, may not be meaningful for the assessment of the price per Offer Share and such high level of market prices of the Shares may not be sustainable in the long run on the basis that the fundamental factors of the Group as analysed above remain unchanged.

The Share Offer price of HK$0.8334 is slightly higher than the consideration for each Share acquired under the Sale and Purchase Agreement and such price represents:

(a) a discount of approximately 20.63% to the closing price of HK$1.05 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 18.77% to the average of the closing prices of HK$1.026 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 19.74% over the average of the closing prices of HK$0.696 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 245.81% over the unaudited consolidated net asset value per Share of approximately HK$0.241 as at 30 September 2006 based on 200,130,000 Shares in issue as at 30 September 2006 as stated in the interim report 2006;

(e) a premium of approximately 232.03% over the audited consolidated net asset value per Share of approximately HK$0.251 as at 31 March 2007 based on 200,130,000 Shares in issue as at 31 March 2007 as stated in the annual report 2007; and

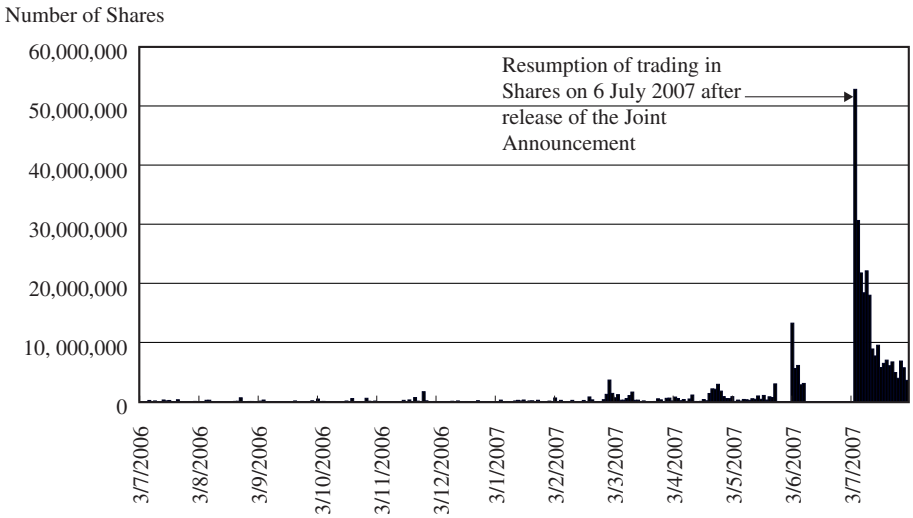
(f) a discount of approximately 76.91% to the closing price of HK$3.61 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Shares have been trading at a level below the price of HK$0.8334 per Offer Share on the market at all times during the Review Period except for the trading days after the publication of the Price Sensitive Announcement and the Joint Announcement. The price of HK$0.8334 per Offer Share also represents a significant premium of approximately 245.81% and approximately 232.03% over the unaudited consolidated net asset value per Share as at 30 September 2006 and the audited consolidated net asset value per Share as at 31 March 2007 respectively as detailed above.

(ii) Liquidity of Shares

The following chart sets out the daily turnover of the Shares on the Stock Exchange during the Review Period:

Daily trading volume during the Review Period



Source: Website of the Stock Exchange (www.hkex.com.hk)

The following table also sets out the total monthly trading volume of the Shares, the percentage of the average daily trading volume of the Shares to the total issued Shares and the Shares held by the public respectively during the Review Period:

	No of trading days during the month with no turnover	Total monthly trading volume of the Shares	Average daily trading volume of the Shares during the month *(Note 1)*	% of average daily trading volume of the Shares to the total issued Shares *(Note 2)*	% of average daily trading volume of the Shares to the Shares held by the public *(Note 3)*
2006					
July	14	1,152,000	54,857	0.026%	0.063%
August	14	1,468,000	63,826	0.031%	0.073%
September	16	670,000	31,905	0.015%	0.037%
October	15	1,270,000	63,500	0.030%	0.073%
November	15	2,996,000	136,182	0.065%	0.156%
December	15	284,000	14,947	0.007%	0.017%
2007					
January	10	2,204,000	100,182	0.048%	0.115%
February	9	7,970,000	442,778	0.212%	0.507%
March	5	8,635,700	392,532	0.188%	0.449%
April	0	14,648,000	813,778	0.390%	0.932%
May *(Note 4)*	4	10,414,000	612,588	0.293%	0.701%
June *(Note 4)*	15	30,838,000	6,167,600	2.953%	7.062%
July *(Note 4)*	3	243,178,000	13,509,889	6.469%	15.468%
1 August (being the Latest Practicable Date)	0	3,578,000	3,578,000	1.713%	4.097%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Calculated by dividing the total monthly trading volume of the Shares for the month by the number of trading days (excluding those days for which trading in the Shares were suspended).

2. Based on 208,840,000 Shares in issue as at the Latest Practicable Date.

3. Based on 87,340,000 Shares held by the public as at the Latest Practicable Date.

4. Trading of Shares was suspended during the period from 28 May 2007 to 1 June 2007 pending the release of the Price Sensitive Announcement. Trading of Shares was then suspended again from 11 June 2007 till 5 July 2007 pending the release of the Joint Announcement.

As illustrated in the above chart and table, the average daily trading volume of the Shares in each month during the Review Period, which ranged from approximately 0.007% to approximately 0.390% of the total issued Shares, save for the months from June 2007 up to the Latest Practicable Date, being the periods subsequent to the release of the Price Sensitive Announcement and the Joint Announcement, was extremely thin. The recent increase in trading volume of the Shares in June and July of 2007 was believed to be triggered by market speculation subsequent to the release of the Joint Announcement on the Offer and the future prospect of the Group after the change in control of the Company.

Based on the trading volume of the Shares in the past, in our view, the level of liquidity of the Shares would not be sufficient for the Independent Shareholders to sell a significant number of their Shares in the market within a short period of time without exerting a downward pressure on the market price of the Shares.

(iii) Comparison with other general offers

In order to further assess the fairness and reasonableness of the price per Offer Share, we have reviewed the list of takeovers (last updated on 31 May 2007) as available from the Stock Exchange website, but could not identify any Main Board listed companies which had announced general offers since 1 January 2007 that are engaged in the same business as the Group. Instead we picked all the available recent general offers announced by the Main Board listed companies since 1 January 2007 (the "Comparable Companies") as we consider that a broader comparison of general offers announced recently would provide a more general reference for the reasonableness of the pricing of the Share Offer. It should therefore be noted that the Comparable Companies listed below are engaged in various businesses different from those of the Group and their market capitalization may not be comparable to that of the Company and the result of our comparison below should not be used in isolation as a determining factor in deciding whether or not to accept the Offer.

Company name (Stock Code) and principal business	Date of announcement	Offer price	Closing price on last trading day *(Note 2)*	Premium/ (discount) of the offer price over/ (to) the closing price of shares on the last trading day *(Note 2)*	Premium/ (discount) of the offer price over/(to) the ten-day average closing price of shares up to and including the last trading day *(Note 2)*	Premium/ (discount) of the offer price over/(to) consolidated net asset value per Share *(Note 2)*	Market capitalisation as at the last trading day *(Note 3)*
		HK$	*HK$*				*HK$ million*
Climax International Company Limited (Stock Code: 439) — Manufacturing and trading of OEM paper products and house brand and agency products	9 Jan 07	0.10	0.13	(23.08%)	(37.50%)	(72.22%)	43.83
Mexan Limited (Stock Code: 22) — Property investment, hotel operation, investment holding and toll road projects *(Note 4)*	16 Feb 07	0.47535	0.495	(4.0%)	(7.2%)	(49.30%)	648.91
Pacific Century Insurance Holdings Limited (Stock Code: 65) — Provision of extensive range of whole life, endowment and unit-linked insurance products to individuals, and a range of other related insurance products in Hong Kong	1 Mar 07	8.18	5.17	58.20%	59.10%	142.70% *(Note 5)*	4,216.78

Company name (Stock Code) and principal business	Date of announcement	Offer price	Closing price on last trading day *(Note 2)*	Premium/ (discount) of the offer price over/ (to) the closing price of shares on the last trading day *(Note 2)*	Premium/ (discount) of the offer price over/(to) the ten-day average closing price of shares up to and including the last trading day *(Note 2)*	Premium/ (discount) of the offer price over/(to) consolidated net asset value per Share *(Note 2)*	Market capitalisation as at the last trading day *(Note 3)*
		HK$	*HK$*				*HK$ million*
Taifook Securities Group Limited (Stock Code: 665) — Broking and trading in securities, futures & bullion contracts and FX, provision of margin and other financing, corporate advisory, placing and underwriting, nominee and custodian, fund management and financial planning services	26 Apr 07	2.43	2.14	13.60%	20.30%	24.00%	1,290.72
Artfield Group Limited (Stock Code: 1229) — Manufacturing and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services	9 May 07	0.55	1.47	(62.59%)	(63.46%)	(4.35%)	447.58
RBI Holdings Limited (Stock Code: 566) — Manufacture, design and sale of children's toys	14 May 07	1.39	1.22	13.93%	31.13%	(8.55%)	403.77
Techtronics Industries Company Limited (Stock Code: 669) — Manufacture & trading of rechargeable power tools, floor care equipment, solar powered & electronic products, personal & health care products, kitchenware products.	14 May 07	3.60	10.88	(66.91%)	(66.70%)	(24.69%) *(Note 5)*	15,955.07

Company name (Stock Code) and principal business	Date of announcement	Offer price	Closing price on last trading day *(Note 2)*	Premium/ (discount) of the offer price over/ (to) the closing price of shares on the last trading day *(Note 2)*	Premium/ (discount) of the offer price over/(to) the ten-day average closing price of shares up to and including the last trading day *(Note 2)*	Premium/ (discount) of the offer price over/(to) consolidated net asset value per Share *(Note 2)*	Market capitalisation as at the last trading day *(Note 3)*
		HK$	*HK$*				*HK$ million*
Mae Holdings Limited (Stock Code: 851) — Manufacturing and sale of electrical adapters, toroidal transformers, EI transformers and related accessories, plastic moulds and electrical products	16 May 07	0.2924	1.20	(76.00%)	(66.00%)	N/A *(Note 6)*	77.02
The Hong Kong Building and Loan Agency Limited (Stock Code: 145) — Investment holding, provision of mortgage finance and other related services and treasury investments	16 May 07	1.475	2.30	(35.90%)	(35.80%)	43.20% *(Note 5)*	517.50
Highest				**58.20%**	**59.10%**	**142.70%**	
Lowest				**(76.00%)**	**(66.70%)**	**(72.22%)**	
Average				**(20.31%)**	**(18.46%)**	**6.35%**	
The Company	**5 July 07**	**0.8334**	**1.05**	**(20.63%)**	**19.74%**	**245.81%** (based on interim report 2006) 232.03% (based on annual report 2007)	**212.00**

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Unless otherwise stated, all the above figures in relation to the Comparable Companies are extracted from the respective general offer announcements.

2. Last trading day refers to the last full trading day prior to the release of the relevant general offer announcements.

3. The market capitalisations are calculated based on the issued share capital of the Comparable Companies on their relevant last trading days prior to the release of the relevant general offer announcements and the closing price per share of the Comparable Companies on their relevant last trading days prior to the release of the relevant general offer announcements.

4. The figures under the combined offer as extracted from the related general offer announcement are used.

5. The premiums/discounts are extracted from the relevant general offer documents.

6. Not available as the Company has a net liability as shown in its latest published interim report before the related general offer announcement.

As seen from the above table, the premium/ discount of the offer prices of the Comparable Companies over/ to the closing price of shares on the last full trading day prior to the relevant general offer announcements ranged from a premium of approximately 58.20% to a discount of approximately 76.00%. As compared with the average closing price of shares for the ten consecutive trading days up to and including the respective last full trading days, the offer prices of the Comparable Companies were ranging from a premium of approximately 59.10% to a discount of approximately 66.70%. Moreover, the premium/discount of the offer price over/to consolidated net asset value per share ranged from a premium of approximately 142.70% to a discount of approximately 72.22%. The Company's Share Offer price represented a discount of approximately 20.63% to the closing price of the Shares on the Last Trading Day and a premium of approximately 19.74% over the average closing price of the Shares for the ten consecutive trading days up to and including the Last Trading Day, both of which are within the respective ranges of the Comparable Companies. The Company's Share Offer price represented a significant premium of approximately 245.81% and approximately 232.03% respectively over the consolidated net asset value per Share as at 30 September 2006 and as at 31 March 2007 which is far higher than that of the Comparable Companies. Based on the results of the above comparison, we consider that the Share Offer price is fair and reasonable.

5. Valuation of the Group

After our discussion with the Company on its nature of business, its business model and brand positioning, we are only able to identify three listed companies (the "Comparables") in Hong Kong that are engaged in the similar business of the Group, details of which are set out as follows:

Name	Stock Code	Net asset value *(HK$ million)*	Price to net asset value per share *(Note 1)*	Dividend
Moiselle International Holdings Limited	130	351.55	2.126	Yes
YGM Trading Limited	375	747.25	1.359	Yes
Veeko International Holdings Limited	1173	298.78	1.642	Yes
The Company	**686**	**50.18**	**3.324** *(Note 2)*	**No**

Source: Website of the Stock Exchange (www.hkex.com.hk) and latest published annual reports of the respective companies

Notes:

1. Price to net asset value per share is defined as the market price per share as at the Latest Practicable Date over the net asset value per share as per the latest published annual reports of the respective companies.

2. Based on the Share Offer price and net asset value per Share as at 31 March 2007.

Price earnings multiples

Price earnings multiple is considered to be one of the most commonly adopted valuation methodologies for listed companies. However, as the Group suffered loss for the financial year ended 31 March 2007, the price earnings multiple of the Company cannot be derived from the Group's latest audited financial statements for the year ended 31 March 2007. As such, it is not applicable to evaluate the Share Offer price on the basis of the price earnings multiple.

Dividend yield

As the Group had not declared any dividend for the three financial years ended 31 March 2007. Given the Group's historical financial performance, it is not certain as to whether the Group will be able to pay dividends in the near term. It is therefore impracticable for us to assess the Share Offer price in terms of the dividend yield it represents.

Net asset value

The audited consolidated net asset value of the Group has decreased by approximately 4.09% from approximately HK$52.32 million as at 31 March 2006 to approximately HK$50.18 million as at 31 March 2007. Based on 200,130,000 Shares in issue as at 31 March 2007, the net asset value per Share as at 31 March 2007, was approximately HK$0.251, on this basis, the Share Offer price of HK$0.8334 represents a premium of approximately 232.03% to such net asset value per Share which is outside the respective range of the Comparable Companies under the sub-paragraph headed "Comparison with other general offers" above.

5. Maintaining listing status of the Company

Ti Yu intends that the Company will remain listed on the Stock Exchange after the close of the Offer. The Company, Directors, Ti Yu and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading in the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market;**

it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

The Share Offer

Having considered the above factors, in particular, that:

- the Share Offer price of HK$0.8334 is slightly higher than the consideration of HK$0.8333 for each Share acquired under the Sale and Purchase Agreement, which was negotiated and determined on arm's length negotiations between Gay Giano (BVI) and Ti Yu;

- the Share Offer price is fair and reasonable as compared to those general offers of the Comparable Companies;

- the surge in the closing prices of the Shares after the release of the Price Sensitive Announcement and the Joint Announcement and up to the Latest Practicable Date was neither supported by the asset base of the Group nor reflected any improvement in the fundamental factors of the Group and such high level of the closing prices of the Shares after the release of the Joint Announcement, which was largely as a result of market speculation, may not be sustainable in the long run on the basis that the fundamental factors of the Group remain unchanged;

- the relatively low liquidity of the Shares which would not be sufficient for the Independent Shareholders to sell a significant number of their Shares in the market without exerting a downward pressure on the market price of the Shares;

- the Group continued to face the uncertain momentum of local economic growth and the inflationary pressure of the operating environment; and

- no dividend was declared by the Company to the Shareholders for the past three financial years ended 31 March 2007 and there is no certainty when the Group will be able to declare dividends given its historical financial performance;

we are of the opinion that the terms of the Share Offer, including the Share Offer price, to be fair and reasonable so far as the Independent Shareholders are concerned and accordingly advise the Independent Board Committee to recommend the Independent Shareholders to accept the Share Offer.

The Independent Shareholders are hereby advised to consider whether to dispose of the Shares in the open market if the market price of the Shares exceeds the Share Offer price during the offer period and if the net proceeds from such sales will be higher than the relevant costs. The Independent Shareholders should exercise caution in doing so as the disposal of a large tranche of Shares in the open market may exert downward price pressure on the Shares. On the other hand, those Independent Shareholders who wish to retain some or all their Shares on the account that they are confident in the future prospect and business of the Company and/or the new management team that may be brought in by Ti Yu and/or its owner are advised to carefully consider the future

intention of Ti Yu and the proposed change of the composition of the Board in the paragraphs headed "Intention of Ti Yu regarding the Group" and "Proposed change of the composition of the Board" under the section headed "Letter from Kingston Securities" in the Composite Offer Document.

II. OPTION OFFER

As at the Latest Practicable Date, there are 40,000 Options outstanding which are exercisable at any time and entitle the holders thereof to subscribe for a total of 40,000 Shares at an exercise price of HK$0.2528 each.

We have adopted the "see-through" price approach in the evaluation of the terms and prices of the Option Offer. The "see-through" price refers to the difference between the offer price for each share subject to a general offer less any given exercise price of the convertibles, and will be the minimum reasonable offer price for any convertibles under a general offer. Under the Option Offer, the Option Offer price of HK$0.5806 is equivalent to the difference in value between the Share Offer price of HK$0.8334 and the exercise price of HK$0.2528 for each Option Share. On this basis and given our view that the terms of the Share Offer are fair and reasonable, we consider that the terms of the Option Offer to be fair and reasonable so far as the Optionholder is concerned. Accordingly, we advise the Independent Board Committee to recommend the Optionholders to accept the Option Offer.

The Optionholders are hereby advised to consider whether to exercise their Options and dispose of the resulting Shares in the open market if the market price of the Shares exceeds the exercise price of the Options during the offer period and if the net proceeds from such sales will be higher than the relevant costs. The Optionholders should exercise caution in doing so as the disposal of a large tranche of Shares in the open market may exert downward price pressure on the Shares. On the other hand, those Optionholders who wish to retain some or all their Options or exercise some or all of their Options and retain the resulting Shares thereupon on the account that they are confident in the future prospect and business of the Company and/or the new management team that may be brought in by Ti Yu and/or its owner are advised to carefully consider the future intention of Ti Yu and the proposed change of the composition of the Board in the paragraphs headed "Intention of Ti Yu regarding the Group" and "Proposed change of the composition of the Board" under the section headed "Letter from Kingston Securities" in the Composite Offer Document. In any event, the Optionholders should note that, in accordance with the terms of the Share Option Scheme, the Optionholders may, at any time and up to the close of the offer (or any revised offer) from the date on which an offer is declared unconditional (which is the case of the Company), exercise their outstanding Options. Options not exercised within such period will lapse.

Yours faithfully,
For and on behalf of
BARON CAPITAL LIMITED
Sheron Yau
Director

1. PROCEDURES FOR ACCEPTANCE

A. The Share Offer

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name and you wish to accept the Offer, you must send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any indemnity or indemnities required in respect thereof, to the Registrar, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in any event not later than 4:00 p.m. on Friday, 24 August 2007 or such later time and/or date as Ti Yu may determine and announce in accordance with the Takeovers Code.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or some names other than your own and you wish to accept the Offer in respect of your Shares, whether in full or in part, you must either:

(a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof), with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(b) arrange for the Shares to be registered in your name by the Company through the Registrar and send the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) to the Registrar; or

(c) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

(d) if your Shares have been lodged with your investor participant's account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/ are lost (as the case may be) and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/ they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of Kingston Corporate Finance, Kingston Securities, the Company, the Offeror or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.

An acceptance may not be counted as valid unless:

(a) it is received by the Registrar on or before the latest time for acceptance at 4:00 p.m. on Friday, 24 August 2007 and the Registrar has recorded that the acceptance and any relevant documents required under paragraph (b) below have been so received; and

(b) the Form of Acceptance is duly completed and is:

(i) accompanied by share certificate(s) and/or transfer receipt(s) and/ or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) in respect of the relevant Share(s) and, if that/those share certificate(s) is/are not in your name, such other

documents (e.g. a duly stamped transfer of the relevant Shares in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or

(ii) from a registered Shareholder or his/her personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (b)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any indemnity or indemnities required in respect thereof) will be given.

B. The Option Offer

(a) If you accept the Option Offer, you should complete the relevant Form of Acceptance accompanying this Composite Offer Document in accordance with the instructions printed thereon, which form part of the terms and conditions of the Option Offer.

(b) The completed Form of Acceptance should be forwarded, together with the relevant Option certificate(s) (if any) stating the number of outstanding Options in respect of which you intend to accept the Option Offer, by post or by hand to the principal place of business of the Company in Hong Kong at Suites 701-702, 7th Floor, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong, marked "Gay Giano International Group Limited Option Offer" on the envelope, as soon as possible and in any event so as to reach the principal place of business of the Company in Hong Kong at aforesaid address by no later than 4:00 p.m. on Friday, 24 August 2007.

2. SETTLEMENT

Provided that the Form(s) of Acceptance and relevant share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on Friday, 24 August 2007 being the latest time for acceptance of the Offer, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Forms of Acceptance by ordinary post at their own risk as soon as possible and in any event within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Provided that the Form(s) of Acceptance and renunciation of the outstanding Options and Option certificate(s) (if any) are in complete and good order and have been received by the Company not later than 4:00 p.m. on Friday, 24 August 2007, a cheque for the amount due to each of the Optionholders in respect of the Options surrendered by the relevant Optionholders under the Option Offer will be despatched to each of them as soon as possible and in any event within 10 days of the date on which all the relevant documents are received by the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Shareholder(s) or Optionholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder(s) or Optionholder(s).

3. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offeror reserves the right, subject to the Takeovers Code, to extend the Offer after the despatch of this Composite Offer Document. Unless the Offer has been revised or extended, all Forms of Acceptance must be received by the Registrar at 4:00 p.m. on Friday, 24 August 2007 and the Offer will close on Friday, 24 August 2007.

(b) The Offeror reserves the rights, subject to the Takeovers Code, to revise, extend on the terms of the Offer. If in the course of the Offer, the Offeror revises its terms, all the Shareholders or Optionholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. A revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted. If the Offer is revised or extended in accordance with the Takeovers Code, an announcement of such revision or extension will be published stating the new closing date of the Offer.

4. ANNOUNCEMENTS

(i) By 6:00 p.m. on Friday, 24 August 2007, which is the first closing date of the Offer, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, or expiry of the Offer. The Offeror shall publish an announcement to be posted on the Stock Exchange website by 7:00 p.m. on the first closing date of the Offer stating whether the Offer has been revised, extended or has expired in accordance with paragraph (ii) below. The announcement shall specify the number of Share, Options and other rights over Shares (a) for which valid acceptances of the Offer have been received, (b) held, controlled or directed by the Offeror, Mr. Wong or parties acting in concert with any one of them before the Offer period; and (c) acquired or agreed to be acquired by the Offeror, Mr. Wong or any parties acting in concert with any one of them during the Offer period.

The announcement must also specify the percentages of the relevant classes of share capital and the percentages of voting rights of the Company represented by these numbers of Shares.

(ii) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the Stock Exchange website and made in accordance with the requirements of the Listing Rules.

5. RIGHT OF WITHDRAWAL

Acceptances of the Offer shall be irrevocable and will not be permitted to be withdrawn, except in the circumstances to the effect that if the Offeror is unable to comply with any of the requirements of making announcements under Rule 19 of the Takeovers Code relating to the Offer, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements are met.

6. STAMP DUTY

Stamp duty at a rate of HK$1 for every HK$1,000 (or part thereof) of the amounts payable in respect of relevant acceptances, or the market value of the Shares, whichever is greater, will be deducted from the amounts payable to the Shareholders who accept the Offer. The Offeror will then pay such stamp duty deducted to the stamp office of the Inland Revenue Department of Hong Kong on behalf of such Shareholders who accept the Share Offer.

7. TAXATION

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offer. It is emphasised that none of the Offeror, Kingston Securities or Kingston Corporate Finance or any of their respective directors or any persons involved in the Offer accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

8. OVERSEAS SHAREHOLDERS

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdiction. Overseas Shareholders or Optionholders should obtain appropriate legal advice on, acquaint themselves with and observe any applicable legal requirement. It is the responsibility of each Overseas Shareholder or Optionholder who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

9. GENERAL

(i) Acceptance of the Offer by any person or persons holding Shares/Options will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares/Options acquired or surrendered under the Offer are sold or surrendered by any such person or persons free from all claims, liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after the Completion.

(ii) All communications, notices, Forms of Acceptance, share certificates, option certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders or Optionholders will be delivered by or sent to or from them, or their respective agents, through post at their own risk, and none of the Offeror, Kingston Corporate Finance, Kingston Securities, the Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(iii) The provisions set out in the Forms of Acceptance form part of the terms of the relevant Offer.

(iv) The accidental omission to despatch this Composite Offer Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(v) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(vi) Due execution of a Form of Acceptance will constitute an authority to the Company, any director of the Company, the Offeror, any director of the Offeror, Kingston Securities, Kingston Corporate Finance, or such other person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, or affecting the surrender (as the case may be) the Shares or Options in respect of which such person or persons has/have accepted the Offer.

(vii) References to the Offer in this Composite Offer Document and in the Forms of Acceptance shall include any revision thereof.

(viii) The English texts of this Composite Offer Document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement and balance sheet of the Group for the three years ended 31 March 2007:

Consolidated Income Statement

For the year ended 31 March, 2007

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	131,447	132,785	126,404
Cost of sales	(45,936)	(44,123)	(38,076)
Gross profit	85,511	88,662	88,328
Other income	931	971	5,526
Distribution costs	(47,641)	(46,363)	(43,090)
Administrative expenses	(40,509)	(41,450)	(36,317)
(LOSS)/PROFIT FROM OPERATIONS	(1,708)	1,820	14,447
Finance costs	(278)	(140)	(265)
(LOSS)/PROFIT BEFORE INCOME TAX	(1,986)	1,680	14,182
Tax expense	(572)	463	(235)
(LOSS)/PROFIT FOR THE YEAR	(2,558)	2,143	13,947
Attributable to:			
Equity holders of the Company	(2,558)	2,143	13,947
DIVIDENDS	—	—	—
EARNING PER SHARE			
— Basic	HK(1.28) cents	HK1.07 cents	HK6.97 cents
— Diluted	N/A	HK1.07 cents	HK6.95 cents

Neither extraordinary nor exceptional items existed for each of the three years ended 31 March 2007.

No dividend was paid or declared by the Company for each of the three years ended 31 March 2007.

There was no qualification in the auditor's reports for each of the three years ended 31 March 2007.

2. FINANCIAL STATEMENTS

Set out below is the audited financial information of the Group for the two years ended 31 March 2007 as extracted from the annual report of the Company for the year ended 31 March 2007:

Consolidated income statement

For the year ended March 31, 2007

	Notes	2007 HK$'000	2006 HK$'000
TURNOVER	4	131,447	132,785
Cost of sales		(45,936)	(44,123)
GROSS PROFIT		85,511	88,662
Other income		931	971
Distribution costs		(47,641)	(46,363)
Administrative expenses		(40,509)	(41,450)
(LOSS)/PROFIT FROM OPERATIONS	6	(1,708)	1,820
Finance costs	7	(278)	(140)
(LOSS)/PROFIT BEFORE TAX		(1,986)	1,680
Tax (expense)/income	9	(572)	463
(LOSS)/PROFIT FOR THE YEAR		(2,558)	2,143
ATTRIBUTABLE TO:			
— Equity holders of the Company		(2,558)	2,143
DIVIDEND	10	NIL	NIL
(LOSS)/EARNINGS PER SHARE			
— Basic	11	HK(1.28) cents	HK1.07 cents
— Diluted	11	N/A	HK1.07 cents

Consolidated balance sheet

As at March 31, 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	12,361	13,223
Rental deposits		4,459	6,277
Deferred tax assets	*13*	—	571
Total non-current assets		16,820	20,071
CURRENT ASSETS			
Inventories	*15*	25,603	27,395
Trade receivables	*16*	308	1,063
Prepayments, deposits and other receivables		6,427	4,216
Tax recoverable		181	—
Pledged bank deposits		3,500	3,500
Cash and cash equivalents	*18*	10,790	12,193
Total current assets		46,809	48,367
CURRENT LIABILITIES			
Trade payables	*19*	2,606	2,767
Accrued liabilities and other payables		3,692	6,695
Tax payable		—	7
Bank loans (secured)	*20*	5,212	4,867
Other loan (secured)	*21*	—	59
Obligations under finance leases	*22*	279	78
Total current liabilities		11,789	14,473
NET CURRENT ASSETS		35,020	33,894
TOTAL ASSETS LESS CURRENT LIABILITIES		51,840	53,965
NON-CURRENT LIABILITIES			
Obligations under finance leases	*22*	159	138
Employee benefits	23	1,503	1,503
Total non-current liabilities		1,662	1,641
TOTAL NET ASSETS		50,178	52,324
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	*24*	20,013	20,013
Reserves		30,165	32,311
TOTAL EQUITY		50,178	52,324

Balance sheet

As at March 31, 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investment in a subsidiary	*14*	12,842	21,233
CURRENT ASSETS			
Prepayment		—	3
Amounts due from subsidiaries	*17*	37,437	45,824
Cash and cash equivalents	*18*	11	6
Total current assets		37,448	45,833
CURRENT LIABILITIES			
Accrued liabilities		112	40
NET CURRENT ASSETS		37,336	45,793
TOTAL NET ASSETS		50,178	67,026
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	*24*	20,013	20,013
Reserves	*25*	30,165	47,013
TOTAL EQUITY		50,178	67,026

Consolidated statement of changes in equity

For the year ended March 31, 2007

	Share capital	Share premium	Exchange fluctuation reserve	Leasehold land and buildings revaluation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April, 2005	20,006	26,126	116	—	3,532	49,780
Exercise of share options	7	11	—	—	—	18
Change in fair value of leasehold land and buildings	—	—	—	353	—	353
Profit for the year	—	—	—	—	2,143	2,143
Exchange realignments	—	—	30	—	—	30
At 31 March, 2006 and 1 April, 2006	20,013	26,137	146	353	5,675	52,324
Change in fair value of leasehold land and buildings	—	—	—	408	—	408
Loss for the year	—	—	—	—	(2,558)	(2,558)
Exchange realignments	—	—	4	—	—	4
At 31 March, 2007	20,013	26,137	150	761	3,117	50,178

Consolidated cash flow statement

For the year ended March 31, 2007

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(1,986)	1,680
Adjustment for:		
Depreciation of property, plant and equipment	2,424	3,460
Loss on write-off and disposals of property, plant and equipment	1,286	1,329
Write-down of inventories to net realisable value	1,804	877
Provision for long service payments	—	539
Interest income	(219)	(176)
Interest on bank loans and overdrafts	261	123
Interest on obligations under finance leases	16	12
Interest on other loan	1	5
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	3,587	7,849
Decrease/(increase) in rental deposits	1,818	(424)
Increase in inventories	(12)	(9,000)
Decrease in trade receivables	755	959
Increase in prepayments, deposits and other receivables	(2,211)	(270)
(Decrease)/increase in trade payables	(161)	1,304
(Decrease)/increase in accrued liabilities and other payables	(3,003)	391
CASH GENERATED FROM OPERATIONS	773	809
Interest received	219	176
Interest on bank loans and overdrafts	(261)	(123)
Interest on obligations under finance leases	(16)	(12)
Interest on other loan	(1)	(5)
Income tax paid	(189)	(351)
NET CASH FROM OPERATING ACTIVITIES	525	494

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposals of property, plant and equipment	35	60
Purchase of property, plant and equipment	(2,071)	(3,027)
NET CASH USED IN INVESTING ACTIVITIES	(2,036)	(2,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	—	18
Repayments of other loan	(59)	(1,924)
Repayments of obligations under finance leases	(178)	(123)
Proceeds from bank loans (secured)	5,212	4,867
Repayments of bank loans (secured)	(4,867)	(2,263)
NET CASH FROM FINANCING ACTIVITIES	108	575
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,403)	(1,898)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,193	14,091
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,790	12,193
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	10,790	12,193

Notes to the financial statements

March 31, 2007

1. General

The Company was incorporated in Bermuda as exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business is at Suites 701-702, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, N.T., Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is a subsidiary of Gay Giano (BVI) Group Limited, a company incorporated in the British Virgin Islands, which is considered by the directors to be the Company's ultimate holding company.

The Company acts as an investment holding company. The Group is principally involved in the manufacturing, retailing and wholesaling of fashion apparel and complementary accessories. The activities of its principal subsidiaries are set out in note 31.

2. Application of Hong Kong financial reporting standards

(a) In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are relevant to its operation and effective for accounting period beginning on 1 April, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

(b) Potential impact arising on the new/revised accounting standards not yet effective

The Group has not yet applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact of the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[4]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 7	Financial Instruments: Disclosures[4]
HKFRS 8	Operating Segments[1]
HK (IFRIC) — Interpretation 8	Scope of HKFRS 2[7]
HK (IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives[6]
HK (IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment[5]
HK (IFRIC) — Interpretation 11	Group and Treasury Share Transactions[3]
HK (IFRIC) — Interpretation 12	Service Concession Arrangements[2]

[1] Effective for annual periods beginning on or after 1 January, 2009.
[2] Effective for annual periods beginning on or after 1 January, 2008.
[3] Effective for annual periods beginning on or after 1 March, 2007.
[4] Effective for annual periods beginning on or after 1 January, 2007.
[5] Effective for annual periods beginning on or after 1 November, 2006.
[6] Effective for annual periods beginning on or after 1 June, 2006.
[7] Effective for annual periods beginning on or after 1 May, 2006.

3. Principal accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements and estimations made by the management that have a significant effect on the financial statements are discussed in note 32 of the financial statements in the annual report.

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

(d) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(e) Revenue recognition

Revenue from sales of goods is recognised when title of the goods has passed to the purchaser, which is at the time of delivery.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Royalty fee income is recognised on accrual basis in accordance with the terms of the agreements.

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

(h) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(i) Share based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For each-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(j) Employee benefits

(i) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in the income statement when the services are rendered by the employees.

(ii) Long service payments

The Group's net obligations in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that employee have earned in return for their services in the current and prior periods. The obligations is calculated using the projected unit credit method, discounted to its present value, and the fair value of any related plan assets is deducted. The discount rate is the yield at balance sheet date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Employee entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(k) Foreign currency

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences is also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rate approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "exchange fluctuation reserve"). Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the exchange fluctuation reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

(l) Impairment of non-financial assets

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the reserves.

(m) Property, plant and equipment

The building component of owner-occupied leasehold properties are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Increases in valuation are credited to the leasehold land and buildings revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to the leasehold land and buildings revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the leasehold buildings revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The useful lives are as follows:

Leasehold Land and Buildings	Over the lease terms
Leasehold improvements	5 years
Plant and machinery	5 years
Furniture and fixtures	5 years
Motor vehicles	4 years

During the year, the depreciation methods of property, plant and equipment was revised from reducing balance basis to straight-line basis to better reflect the useful life of the property, plant and equipment. The effect of the change in accounting estimate in the current year was an decrease in depreciation charge of approximately HK$15,000.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sale proceeds and its carrying amount, and is recognised in the income statement on disposal.

(n) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Financial instruments

(i) Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss: include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognised in the income statement.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Any impairment losses on available-for-sale financial assets are recognised in the income statement on available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities was incurred. The Company's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognised in the income statement.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

- Bank borrowings are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) Financial guarantee contracts

A financial guarantee contact is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

4. Turnover

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

5. Segment information

(a) Business segments

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the retail and wholesale of fashion apparel.

(b) Geographical segments

The following table presents the revenue, results, assets and capital expenditure information for the geographical segments of the Group.

GROUP

	Hong Kong		PRC		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Sales to external customers	129,533	131,337	1,914	1,448	131,447	132,785
Segment results	(2,112)	1,950	404	(130)	(1,708)	1,820
Other segment information:						
Segment assets	57,353	57,841	6,276	10,597	63,629	68,438
Capital expenditure	2,435	2,912	36	115	2,471	3,027

The carrying amounts of the segment revenue and segment assets are analysed by the geographical area in which the customers and assets are located respectively.

6. (Loss)/profit from operations

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
(Loss)/profit from operations is arrived at after charging:		
Cost of inventories sold	45,936	44,123
Staff costs (excluding directors' emoluments, note 8)*		
Wages and salaries	35,205	35,573
Retirement benefits	1,858	1,805
Provision for long service payments	—	539
	37,063	37,917
Write-down of inventories to net realisable value*	1,804	877
Depreciation of property, plant and equipment*		
— Owned	2,252	3,358
— Leased	172	102
Minimum lease payments under operating leases on land and buildings*	33,449	31,996
Auditors' remuneration	310	320
Loss on write-off and disposals of property, plant and equipment, net	1,286	1,329
Exchange losses, net*	605	—
and after crediting:		
Royalty fee income	616	616
Interest income	219	176
Exchange gains, net*	—	741

* Cost of inventories sold includes direct staff costs, operating lease rentals on land and buildings, write-down of inventories to net realisable value, net exchange gains/losses and depreciation of property, plant and equipment in aggregate of HK$7,862,000 (2006: HK$7,109,000), which are included in the above respective captions of expenses.

7. Finance costs

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans and overdrafts	261	123
Obligations under finance leases	16	12
Other loan wholly repayable within five years	1	5
Total finance costs	278	140

8. Directors' and employees' emoluments

(a) Directors' emoluments

The aggregate amounts of the directors' emoluments, disclosed pursuant to the Listing Rules and Section 161 of Hong Kong Companies Ordinance, are as follows:

Name of directors	Fees	Basic salaries and allowances	Retirement benefits schemes contributions	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Cheung Yin Sheung Subraina *(Chairman)*	—	907	12	919
Tong Kwong Fat	—	901	12	913
Yung Wing Sze Vivian	—	861	12	873
Non-executive director:				
To Ming Oi Wendy	240	—	—	240
Independent non-executive directors:				
Chan Ka Ling Edmond	100	—	—	100
Ching Kwok Ho	66	—	—	66
Lo Wa Kei Roy	60	—	—	60
Tsang Wai Kit	3	—	—	3
Total	469	2,669	36	3,174

Name of directors	Fees	Basic salaries and allowances	Retirement benefits schemes contributions	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Cheung Yin Sheung Subraina *(Chairman)*	—	820	12	832
Tong Kwong Fat	—	805	12	817
Yung Wing Sze Vivian	—	723	12	735
Non-executive director:				
To Ming Oi Wendy	60	—	—	60
Independent non-executive directors:				
Chan Ka Ling Edmond	85	—	—	85
Lo Wa Kei Roy	36	—	—	36
Tsang Wai Kit	45	—	—	45
Total	226	2,348	36	2,610

No directors waived any emoluments in the years ended 31 March, 2007 and 2006.

During the years ended 31 March, 2007 and 2006, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

(b) The five highest paid individuals

The five highest paid individuals during the year included three (2006: three) directors. Details of the emoluments of the remaining two (2006: two) highest paid individuals are as follows:

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Employees		
— basic salaries and allowances	3,301	2,920
— retirement benefits scheme contributions	24	24
	3,325	2,944

The number of highest paid and non-director employees whose emoluments fell within the following bands is as follows:

	Number of employees	
	2007	**2006**
HK$1,000,000 — HK$1,500,000	—	2
HK$1,500,001 — HK$2,000,000	2	—
	2	2

9. Tax (expense)/income

The amount of tax (expense)/income in the consolidated income statement represents:

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Current tax — provision for Hong Kong Profits Tax		
— tax for the year	(1)	(5)
— under provision in respect of prior years	—	(68)
	(1)	(73)
Current tax — overseas		
— tax for the year	—	(35)
Deferred tax		
— current year	(571)	571
	(572)	463

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

The Group's subsidiary established in the PRC is subject to Corporate Income Tax at a rate of 15% (2006: 15%).

On 16 March, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January, 2008. A subsidiary in the Group is registered in the Lo Wu District in the PRC and hence enjoy a preferential income tax rate of 15%. From 1 January, 2008, the income tax rate is expected to gradually increase to the standard rate of 25% over a five-year transition period. However, the new tax law has not set out the details as to how the existing tax rate will gradually increase to the standard rate of 25%. Consequently, the Group is not able to make an estimate of financial effect of the new tax law, if any, will be reflected in the Group's 2008 financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

The tax expense/(income) for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
(Loss)/profit before tax	(1,986)	1,680
Tax calculated at the domestic income tax rate of 17.5% (2006: 17.5%)	(348)	294
Net tax effect of revenue and expenses not subject to tax and not deductible for tax purpose	274	568
Tax effect of utilisation of tax losses not previously recognised	(86)	(991)
Tax losses for the year not recognised	628	184
Tax effect of temporary differences not recognised	45	(660)
Under provision in the prior year	—	68
Effect of different tax rates of subsidiaries operating in other jurisdictions	59	74
Tax expense/(income) for the year	572	(463)

10. Dividend

No dividend was paid or proposed during the year of 2007 and 2006, nor has any dividend been proposed since the balance sheet date.

11. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year of HK$2,558,000 (2006: profit for the year of HK$2,143,000) and the weighted average number of 200,130,000 (2006: 200,127,000) ordinary shares in issue during the year, calculated as follows:

	2007	**2006**
	Number of shares	**Number of shares**
	'000	*'000*
Issued ordinary shares at beginning of the year	200,130	200,060
Share options exercised	—	67
Weighted average number of ordinary shares for the purpose of basic (loss)/earning per share	200,130	200,127

Diluted loss per share for the year ended 31 March, 2007 has not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March, 2006 is based on the profit for the year of HK$2,143,000 and the weighted average number of 200,133,000 ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 200,127,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 6,000 ordinary shares assumed to have been issued at no consideration upon exercise of all share options outstanding during the year.

12. Property, plant and equipment

GROUP	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION:						
At 1 April, 2006	5,400	10,714	3,521	14,353	3,453	37,441
Additions	—	1,187	12	862	410	2,471
Write-off and disposals	—	(3,339)	(183)	(6,665)	(462)	(10,649)
Change in fair value	300	—	—	—	—	300
Exchange realignments	—	106	104	16	8	234
At 31 March, 2007	5,700	8,668	3,454	8,566	3,409	29,797
Analysis of cost or valuation:						
At cost	—	8,668	3,454	8,566	3,409	24,097
At valuation	5,700	—	—	—	—	5,700
	5,700	8,668	3,454	8,566	3,409	29,797
ACCUMULATED DEPRECIATION:						
At 1 April, 2006	—	7,186	3,481	11,441	2,110	24,218
Charge for the year	108	842	9	1,028	437	2,424
Eliminated on write-off and disposals	—	(2,743)	(183)	(6,082)	(320)	(9,328)
Change in fair value	(108)	—	—	—	—	(108)
Exchange realignments	—	104	103	15	8	230
At 31 March, 2007	—	5,389	3,410	6,402	2,235	17,436
NET BOOK VALUE:						
At 31 March, 2007	5,700	3,279	44	2,164	1,174	12,361

The net book value of property, plant and equipment held under finance leases included in the amount of motor vehicles at 31 March, 2007 amounted to HK$516,000 (2006: HK$278,000). At 31 March, 2007, the leasehold land and buildings of the Group with net book value of HK$5,700,000 (2006: HK$5,400,000) was pledged to secure bank loans granted to the Group (note 20).

The Group's leasehold land and buildings in Hong Kong was last valued at 31 March, 2007 by qualified valuers from Savills Valuation and Professional Services Limited, on an open market value basis. Messrs. Savills Valuation and Professional Services Limited is not connected with the Group.

Had the revaluated leasehold land and buildings been measured on a historical cost basis, their net book values would have been HK$4,939,000 (2006: HK$5,047,000).

GROUP	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST OR VALUATION:						
At 1 April, 2005	5,150	11,960	3,362	14,452	3,612	38,536
Additions	—	1,656	28	1,110	233	3,027
Write-off and disposals	—	(3,033)	—	(1,230)	(400)	(4,663)
Change in fair value	250	—	—	—	—	250
Exchange realignments	—	131	131	21	8	291
At 31 March, 2006	5,400	10,714	3,521	14,353	3,453	37,441
Analysis cost or valuation:						
At cost	—	10,714	3,521	14,353	3,453	32,041
At valuation	5,400	—	—	—	—	5,400
	5,400	10,714	3,521	14,353	3,453	37,441
ACCUMULATED DEPRECIATION:						
At 1 April, 2005	—	8,326	2,877	10,689	1,982	23,874
Charge for the year	103	982	488	1,463	424	3,460
Eliminated on write-off and disposals	—	(2,244)	—	(728)	(302)	(3,274)
Change in fair value	(103)	—	—	—	—	(103)
Exchange realignments	—	122	116	17	6	261
At 31 March, 2006	—	7,186	3,481	11,441	2,110	24,218
NET BOOK VALUE:						
At 31 March, 2006	5,400	3,528	40	2,912	1,343	13,223

13. Deferred taxation

Group

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior periods:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April, 2005	(684)	684	—
(Charge)/credit to income for the year	(132)	703	571
At 31 March, 2006	(816)	1,387	571
Credit/(charge) to income for the year	166	(737)	(571)
At 31 March, 2007	(650)	650	—

At the balance sheet date, the Group has unused tax losses of HK$33,260,000 (2006: HK$33,317,000) available to set off future profits. A deferred tax asset has been recognised in respect of HK$3,714,000 (2006: HK$7,927,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$29,546,000 (2006: HK$25,390,000) due to the unpredictability of future profits streams. All the losses can be carried forward indefinitely.

Company

At the balance sheet date, the Company has unused tax losses of HK$1,615,000 (2006: HK$1,326,000). No deferred tax assets has been recognised in relation to such unused tax losses due to the unpredictability of future profits streams.

14. Investment in a subsidiary

	COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	32,251	32,251
Impairment	(19,409)	(11,018)
	12,842	21,233

Particulars of the principal subsidiaries of the Company at 31 March, 2007 are set out in note 31.

15. Inventories

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	3,505	4,401
Work in progress	1,198	1,828
Finished goods	20,900	21,166
	25,603	27,395

16. Trade receivables

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

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
0 — 30 days	308	436
Over 60 days	—	627
	308	1,063

The amounts approximated to the respective fair values as at 31 March, 2007 and 2006.

Normal credit terms granted by the Group to its customers ranges from 30 to 60 days of invoice date. The Group grants credit terms of over 60 days to certain customers of long business relationship or with high creditability.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

Included in trade receivables is the following amount denominated in a currency other than the functional currency of the Group to which it relates:

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Renminbi	—	760

17. Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, bearing interest at rates ranging from 8.5% to 8.75% per annum and repayable on demand.

18. Cash and cash equivalents

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash	10,790	12,193	11	6

The amounts approximated to their respective fair values as at 31 March, 2007 and 2006.

The carrying amounts of the Group's cash and cash equivalents are denominated in currencies other than the functional currency of the Group are set out as below:

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	619	275	—	—

19. Trade payables

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

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
0 — 30 days	2,368	1,744
31 — 60 days	158	792
Over 60 days	80	231
	2,606	2,767

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Euro	941	75
Renminbi	115	49

20. Bank loans (secured)

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Secured bank loans repayable:		
Within one year	5,212	4,867

The amounts approximated to their respective fair values as at 31 March, 2007 and 2006.

The bank loans of the Group that are denominated in currencies other than the functional currency of the Group are set out below:

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Euro	2,851	2,557
Japanese Yen	66	—
United States Dollars	1,565	2,204

At 31 March, 2007, bank loans of the Group were secured by a pledged bank deposit of HK$3,500,000 (2006: HK$3,500,000).

21. Other loan (secured)

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Secured other loan repayable:		
Within one year	—	59

22. Obligations under finance leases

The Group leased certain of its motor vehicles. The leases are classified as finance leases and have remaining lease terms ranging from less than one year to four years.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Future lease payments are due as follows:

	Minimum lease payments 2007	**Interest 2007**	**Present value 2007**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	302	(23)	279
Later than one year and not later than five years	173	(14)	159
	475	(37)	438

	Minimum lease payments 2006 HK$'000	Interest 2006 HK$'000	Present value 2006 HK$'000
Not later than one year	88	(10)	78
Later than one year and not later than five years	154	(16)	138
	242	(26)	216

The present value of future lease payments are analysed as:

	GROUP	
	2007 HK$'000	2006 HK$'000
Current liabilities	279	78
Non-current liabilities	159	138
	438	216

23. Employee benefits

	GROUP	
	2007 HK$'000	2006 HK$'000
Liabilities for employee benefits comprise:		
Long service payments accrual	1,503	1,503

Long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. According to the Hong Kong Employment Ordinance, the directors applied the statutory maximum retirement benefits entitled to each employee in the calculation of long service payments.

(a) Movement for the year

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
At beginning of the year	1,503	964
Expense recognised in the consolidated income statement	—	539
At end of the year	1,503	1,503

(b) The directors' assumptions with reference to the independent valuers' report used for accounting purposes at 31 March are as follows:

	GROUP	
	2007	**2006**
Discount rate applied to pension obligations	4.6%	4.6%
Future salary increases	1.7%	1.7%

24. Share capital

	2007 Number of shares	**2007**	**2006 Number of shares**	**2006**
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At the beginning of the year	200,130	20,013	200,060	20,006
Issued on exercise of share options *(Note)*	—	—	70	7
At the end of the year	200,130	20,013	200,130	20,013

In the light of the transaction, share options are likely to be excised by option holders, which would increase the number of share capital issued and earnings per shares.

Note:

Share options

The operation of the share option scheme adopted by the Company on 14 March, 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 10 September, 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 total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalisation issue at the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

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 share option 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.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the New Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in 12-month period must not exceed 1% of the issued share capital of the Company.

Option granted under the New Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The subscription price for the shares under the New Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the higher of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

The following tables disclose details of the Company's share options under the old Scheme held by employees (including directors) and movements in such holdings during the year.

(a) Movements in share options

	2007 Number	**2006 Number**
At the beginning of the year	15,160,000	15,320,000
Exercised	—	(70,000)
Cancelled	(80,000)	(90,000)
At the end of the year	15,080,000	15,160,000

Subsequent to balance sheet date, 2,090,000 share options were exercised and converted into 2,090,000 shares.

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise period	Exercise price	2007 Number	2006 Number
5 February, 2001	5 February, 2001 to 4 February, 2011	HK$0.2528	15,080,000	15,160,000

Details of unexpired and unexercised share options analysed by directors and non-directors are disclosed in the report of directors.

The financial impact of share options granted and vested before 1 April, 2005 was not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge was recognised in the income statement in respect of the value of options granted and vested before 1 April, 2005. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options. No option has been granted under the New Scheme since its adoption on 10 September, 2002.

25. Reserves

Company

	Share premium *HK$'000*	Contributed surplus* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 March, 2005	26,126	32,051	(10,950)	47,227
Exercise of share options	11	—	—	11
Loss for the year	—	—	(225)	(225)
At 31 March, 2006	26,137	32,051	(11,175)	47,013
Loss for the year	—	—	(16,848)	(16,848)
At 31 March, 2007	26,137	32,051	(28,023)	30,165

* The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation implemented during the year ended 31 March, 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if:

(1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

26. Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The MPF Scheme has been operated since 1 December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group in the PRC are required to participate in a central pension scheme operated by the local municipal governments. The Group are required to contribute certain stipulated percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they became payable in accordance with the rules of the central pension scheme.

27. Operating lease commitments

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

	GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	25,061	30,093
In the second to fifth years, inclusive	20,346	21,244
	45,407	51,337

28. Contingent liabilities

At 31 March, 2007, the Group had no significant contingent liabilities (2006: Nil).

At 31 March, 2007, the Company had provided guarantee to a bank against facilities utilised by a subsidiary as follow:

	COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Bank loans	5,212	4,867

The Company has not recognised any liabilities in respect of the guarantees of banking facilities granted to a subsidiary since the directors considered the fair value of the financial guarantee is immaterial.

29. Related party transactions

(a) During the year, the Group entered into the following related party transaction:

Related party relationship	Type of transaction	Transaction amount	
		2007	**2006**
		HK$'000	*HK$'000*
Entity in which a director of the Company has interest	Rental on office premises paid by the Group	2,640	2,374

Further details of the above-mentioned transaction is included under the heading "Connected transactions" in the Report of the Directors.

(b) Compensation of key management personnel

The emoluments of directors (included in note 8) and other members of key management during the year were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short-term benefits	6,829	5,902
Post-employments benefits	72	72
	6,901	5,974

(c) During the year, the Group sold finished goods amounted to HK$1,870,255 (2006: HK$1,424,000) to an entity of which the owner name is registered in the name of a director of a subsidiary of the Group. The transactions were based on normal commercial terms and with reference to market prices. The director of that subsidiary declared that such entity is beneficially owned by an independent third party. The transactions ceased subsequent to 31 March, 2007.

30. Financial instruments — risk management

The Group is exposed through its operations to the following financial risks:

- Currency risk
- Liquidity risk
- Interest rate risk
- Fair value risk

Policy for managing these risks is set by the directors of the Group. The policy for each of the above risks is described in more detail below.

(a) Currency Risk

Several subsidiaries of the Group have foreign currency purchases which expose the Group to foreign currency risk. The management is aware of the possible exchange appreciation in Euro in the future although the Group's cash outlay on purchase of raw materials are mainly denominated in Hong Kong dollars and United State dollars and currency risk exposure is immaterial. The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

(b) Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the cash, current working capital and the raising of funds from issue of shares and underlying interests in shares of the Company, subject to approval by the Company's shareholders, if necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term.

(c) Interest Rate Risk

The Group is exposed to interest rate risk on variable-rate bank loans and other loan. The management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arises.

(d) Fair Value Risk

The fair values of financial assets and financial liabilities reported in the balance sheets of the Group and the Company approximate their carrying amounts.

31. Principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 March, 2007 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration and operations	Nominal value of paid-up issued share registered capital	Percentage of equity attributable to the Company %	Principal activities
Directly held:					
Gay Giano Holdings Limited	Limited	British Virgin Islands	US$1,000	100	Investment holding
Indirectly held:					
Belarus Limited	Limited	Hong Kong	HK$3,000	100	Sourcing of materials and investment holding
Cour Carré (Asia) Limited	Limited	British Virgin Islands	US$1	100	Investment holding
Cour Carré Company Limited	Limited	Hong Kong	HK$1,000	100	Retail of fashion apparel and complementary accessories
Cour Carré World Limited	Limited	British Virgin Islands	US$1	100	Wholesale of fashion apparel and complementary accessories
Due G Company Limited	Limited	Hong Kong	HK$10,000	100	Retail of fashion apparel and complementary accessories
Gay Giano Company Limited	Limited	Hong Kong	HK$1,000,000	100	Retail of fashion apparel and complementary accessories
Gay Giano International Limited	Limited	Hong Kong	HK$1,000	100	Investment holding and provision of administrative services
Gay Giano Technology Limited	Limited	British Virgin Islands/ Hong Kong	US$1	100	Provision of information technology services
Maxrola Limited	Limited	Hong Kong	HK$2	100	Property investment
Shenzhen Longwei Fashion Mfg. Co., Ltd.* ("SLFM")	Wholly Owned Foreign Enterprise	PRC	HK$12,000,000	100	Manufacture and distribution of fashion apparel

* SLFM was a co-operative joint venture established by the Group and a partner in the PRC for a period of operation for ten years commencing from the date of the issuance of its business licence on 3 May, 1996. SLFM is treated as a subsidiary, the Group controls the composition of the board of directors of SLFM and has control over the financial and operating policies of SLFM. On 2 February, 2007, the form of business structure changed to wholly owned foreign enterprise, which supercedes the previous joint venture structure.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

32. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

(a) Impairment loss on trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of the trade receivables and on management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(b) Impairment loss on inventories

The management of the Group reviews an ageing analysis at each balance sheet date, and writes down obsolete and slow-moving inventory items identified to net realisable value. The management estimated the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

(c) Depreciation and impairment of property, plant and equipment

The management of the Group reviews the depreciation policy and estimates the useful lives of each category of property, plant and equipment with respect to their respective condition and deterioration rate. If the conditions and recoverable value of assets were to deteriorate, acceleration on depreciation and additional impairment may be required. The management will also consider referring to professional property valuers' estimation in assessing impairment.

(d) Provision for long service payment and annual leave

A provision is made for the estimated liability for long service payment and annual leave and the calculation of which involves assumption and assessment on the employees' final salary, years of service, employee turnover rate, the change of labour market condition and other relevant economic and strategic policies. Adjustment on provision is dependent on the aggregate effect of relevant factors which involve considerable degree of estimation. The management will also consider taking reference to the independent valuers' report in assessing whether adjustment on provision is required.

33. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 July, 2007.

3. INDEBTEDNESS

As at May 31, 2007, (the latest practicable date for this statement of indebtedness prior to printing of this Composite Offer Document), the Group had outstanding debts and finance lease obligations amounting to approximately HK$4.4 million, of which, HK$4.0 million was secured bank loans and approximately HK$0.4 million was obligations under finance leases. As at May 31, 2007, the Group's leasehold land and building and fixed bank deposit of HK$3.5 million were pledged to the secured bank loans of the Group. As at May 31, 2007 the Group has no significant contingent liabilities and the Company had provided guarantee to a bank against pledged bank loan utilized by a subsidiary.

As at May 31, 2007, save as aforesaid and apart from intra-group liabilities and normal trade payables, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

4. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors are not aware of that there has been any material change in the financial or trading position or outlook of the Group since March 31, 2007, being the date to which the latest published audited consolidated financial statement of the Group were made up.

The Directors
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3 August 2007

Dear Sirs,

RE: FLAT B ON 11TH FLOOR OF BLOCK 8, WONDERLAND VILLAS, 9 WAH KING HILL ROAD KWAI CHUNG, NEW TERRITORIES

In accordance with your instructions for us to value the captioned property held by Gay Giano International Group Limited ("the Company") and its subsidiaries (hereinafter together referred to be the "Group"), we confirm that we have caused land searches at the Land Registry and made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 June 2007 for circular purposes.

Our valuation is our opinion of the market value of the property which we would define as intended to mean "the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with The HKIS Valuation Standards on Properties published by The Hong Kong Institute of Surveyors (1st Edition 2005) and complies with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The property has been valued by reference to sales evidence as available on the market assuming that vacant possession of the property would be immediately available upon completion of a sale.

In valuing the property, the Government lease of which had expired before 30 June 1997. We have taken into account the provisions of Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China as well as the New Territories Leases (Extension) Ordinance 1988 stipulating that such leases have been extended without premium until 30 June 2047 and that the rents of three per cent of the rateable values are charged per annum from the date of extension.

We have not been provided with any title documents relating to the property but we have caused searches to be made at the Land Registry. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies obtained by us.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, occupancy status, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the property valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the property is free of rot, infestation or any other structural defect. No test was carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

We enclose herewith our valuation certificate for your attention.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Enc

Note: Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has been a qualified valuer since June 1987 and has about 22 years experience in the valuation of properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 30 June 2007
Flat B on 11th Floor of Block 8, Wonderland Villas, 9 Wah King Hill Road, Kwai Chung, New Territories 482/1,000,000th parts or shares of and in The Remaining Portion of Kwai Chung Town Lot No. 369	Wonderland Villas is a residential development comprises a total of twenty two residential blocks with ancillary car park and shopping facilities. The property comprises one of the two domestic units on 11th Floor of Block 8 of the development. Block 8 comprises a 24-storey residential building of reinforced concrete with mosaic-tiled external elevations and completed in about 1984. The property has a gross floor area of approximately 1,394 sq ft (129.51 sq m) and a saleable area of approximately 990 sq ft (91.97 sq m). The property is held under New Grant No. 5860 for a term of 99 years less the last three days from 1 July 1898 which was renewed upon expiry until 30 June 2047 without premium but at a revised annual Government rent of 3% of the rateable value for the time being of the property.	The property is occupied by the Group as staff quarters.	HK$5,700,000

Notes: (1) The registered owner of the property is Maxrola Limited, a wholly-owned subsidiary of the Company.

(2) The property is subject to a legal charge in favour of Wing Hang Bank Limited.

(3) The property is zoned for "Residential (Group B)2" use under the approved Kwai Chung Outline Zoning Plan No. S/KC/21 dated 29 June 2004.

(4) According to the information provided by the management of the Company, the only tax liability which would arise on the disposal of the property at the amount of the valuation is the Stamp Duty chargeable at 3% of the disposal price. As the property is occupied as staff quarters and there is no plan for disposal, there is no such imminent tax liability.

1. RESPONSIBILITY STATEMENT

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

The information contained in this Composite Offer Document (other than those relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) is supplied by the Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than those relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Composite Offer Document (other than those relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group) not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

The information contained in this Composite Offer Document relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group, is supplied by the Offeror. Mr. Wong Pak Lam Louis, being the sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Offer Document relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group and confirms, having made all reasonable enquiries, that to the best of his knowledge and belief, opinions expressed in this Composite Offer Document relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group have been arrived at after due and careful consideration and there are no other facts relating to the Offeror, the terms and conditions of the Offer and the Offeror's intention regarding the Group not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

2. SHARE CAPITAL

Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
Ordinary Shares		
1,000,000,000	Shares	100,000,000

Issued and fully paid or credited as fully paid:		*HK$*
Ordinary Shares		
208,840,000	Shares	20,884,000

Subsequent to 31 March 2007, being the date to which the latest audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date, an aggregate of 8,710,000 new Shares were issued by the Company as a result of the exercise of 8,710,000 Options. All the existing issued Shares rank *pari passu* among each other in all respects including all rights as to dividends, voting and return of capital.

Save for 40,000 Options, the Group did not have any outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date 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 SFO which were 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 the Directors and the chief executive 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 companies (the "Model Code") in the Rules Governing the Listing Rules, or which were required to be disclosed in accordance with the requirements of the Takeovers Code were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Capacity	Type of interests	Number of Shares	Approximate % of the issued share capital
Yung Wing Sze, Vivian	Beneficial owner	Personal	1,170,000	0.56%
Tong Kwong Fat ("Mr. Tong")	Beneficial owner	Personal	330,000	0.16%
Cheung Yin Sheung ("Ms. Cheung")	Interest of spouse*	Personal	330,000	0.16%

* Ms Cheung is the spouse of Mr. Tong. By virtue of the SFO, Ms. Cheung is taken to be interested in the shares held by Mr. Tong.

Save as disclosed in this section 3(a), none of the Directors or chief executives or their associates held any interests or short positions in the shares, underlying shares and debentures, option, warrants derivatives and securities convertible in to shares of the Company or any of its associated corporation as at the Latest Practicable Date 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, or which were required to be disclosed in accordance with the requirements of the Takeovers Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Director or chief executives of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Type of interest	Number of Shares held	Approximate percentage of shareholding
Ti Yu Investments Limited	Beneficial owner	Corporate	120,000,000	57.46%
Mr. Wong Pak Lam Louis	Interest of Controlled Corporation*	Personal	120,000,000	57.46%

* Mr. Wong Pak Lam Louis holds 100% of the shares in issue of Ti Yu Investments Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Wong Pak Lam Louis is taken to be interested in the share of the Company held by Ti Yu Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Save as disclosed in this section 3(b), as at the Latest Practicable Date, none of the Offeror, the sole director and shareholder of the Offeror and parties acting in concert with the Offeror is interested in any shares, options, warrants, derivatives or securities convertible and exchangeable into Shares of the Company.

(c) Other interests in the Company

(i) No Directors intended, in respect of their own beneficial interest in the shares, options, warrants, derivatives or securities convertible into Shares, to accept or reject the Offer as at the Latest Practicable Date.

(ii) No other persons, prior to the posting of this Composite Offer Document, have irrevocably committed themselves to accept or reject the Offer.

(iii) None of the Company's subsidiaries, pension fund of the Company or its subsidiaries or advisers to the Company as specified in class (2) of the definition of associates under the Takeovers Code but excluding exempt principal traders had any interest in the shares, options, warrants, derivatives or securities convertible or exchangeable into shares of the Company as at the Latest Practicable Date nor had any of them dealt for value in shares, options, warrants, derivatives or securities convertible into shares of the Company during the period beginning six months prior to the date of the Joint Announcement and up to and including the Latest Practicable Date.

(iv) As at the Latest Practicable Date, no shares, options, warrants, derivatives or securities convertible or exchangeable into shares of the Company were managed on a discretionary basis by fund managers connected with the Company.

(v) No fund manager connected with the Company was interested in any shares, options, warrants, derivatives or securities convertible or exchangeable into shares of the Company as at the Latest Practicable Date.

(d) Interests in Ti Yu

Neither the Company nor any of the Directors had any interest in the shares, options, warrants, derivatives or securities convertible and exchangeable into shares of Ti Yu as at the Latest Practicable Date nor had any of them dealt for value in such shares, options, warrants, derivatives or securities convertible and exchangeable into shares of Ti Yu during the period beginning six months prior to the date of the Joint Announcement and up to and including the Latest Practicable Date.

4. DEALINGS IN SECURITIES

The following table sets out the dealings in the shares, options, warrants, derivatives or securities convertible and exchangeable into shares of the Company by Ti Yu or Mr. Wong and their respective concert parties during the six-month period prior to the date of the Joint Announcement and up to the Latest Practicable Date.

Date	Type of transaction	No. of Shares transacted	Price per Share *(HK$)*
26 June 2007	Share Purchase	120,000,000	0.8333

Pursuant to the Takeovers Code, as the Offer is made through Kingston Securities, and Kingston Corporate Finance which is the financial adviser to Ti Yu, each of Kingston Securities and Kingston Corporate Finance is deemed to be acting in concert with Ti Yu for the purpose of the Offer. None of Kingston Corporate Finance, Kingston Securities, their respective ultimate controlling parties, their respective subsidiaries, any of their concert parties and directors has any interests in the shares, options, warrants, derivatives or securities convertible or exchangeable into Shares of the Company, and none of them had dealt in any shares, options, warrants, derivatives or securities convertible or exchangeable into Shares of the Company in the six-month period prior to the date of the Joint Announcement and up to the Latest Practicable Date.

Save as disclosed in this section 4, Ti Yu, the director(s) and shareholder(s) of Ti Yu, Mr. Wong and parties acting in concert with Ti Yu or Mr. Wong had no other dealings in the shares, options, warrants, derivatives or securities convertible or exchangeable into Shares of the Company in the six-month period prior to the date of the Joint Announcement and up to the Latest Practicable Date.

The following table sets out the dealings in the shares, options, warrants, derivatives or securities convertible or exchangeable into shares of the Company by the Directors during the six-month period prior to the date of the Joint Announcement and up to and including the Latest Practicable Date.

Director	Date	Type of transaction	No. of Shares/ Share Options transacted	Price per Share *(HK$)*
Ms. Cheung Yin Sheung, Subraina	26 June 2007	Share Sales	*120,000,000	0.8333
Ms. Cheung Yin Sheung, Subraina	10 July 2007	Forfeit of Share Options	1,800,000	N/A
Mr. Tong Kwong Fat	26 June 2007	Share Sales	*120,000,000	0.8333
Mr. Tong Kwong Fat	10 July 2007	Forfeit of Share Options	1,470,000	N/A
Mr. Tong Kwong Fat	30 July 2007	Exercise of Share Options	330,000	0.2528
Ms. Yung Wing Sze, Vivian	30 July 2007	Exercise of Share Options	1,170,000	0.2528

* Ms. Cheng Yin Sheung, Subraina and Mr. Tong Kwong Fat are the holders of 12.5% and 2.5% issued shares of the Vendor in the Share Sales.

No fund managers connected with the Company had dealt for value in any shares, options, warrants, derivatives or securities convertible or exchangeable into shares of the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

5. MARKET PRICES

(a) The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the period commencing six months immediately preceding the date of the Joint Announcement and up to and including the Latest Practicable Date, (ii) the Last Trading Day, and (iii) the Latest Practicable Date:

	HK$ per Share
29 December 2006	0.1400
31 January 2007	0.1300
28 February 2007	0.2750
30 March 2007	0.2240
30 April 2007	0.2270
25 May 2007	0.5000
8 June 2007 (being the last trading day in June 2007 and the Last Trading Day)	1.0500
1 August 2007 (being the Latest Practicable Date)	3.61

(b) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period between 5 January 2007, being the date six months preceding the date of the Joint Announcement, and ending on the Latest Practicable Date are as follows:

		Dates
Highest closing price	HK$3.93	16 July 2007
Lowest closing price	HK$0.13	29 January 2007 to 2 February 2007 and 5 February 2007

6. ARRANGEMENTS IN CONNECTION WITH THE OFFER

(a) As at the Latest Practicable Date, save for the credit facility mentioned under the section headed "Total consideration" in the letter of Kingston Securities and the undertaking in respect of the sufficient public float mentioned under the section headed "Maintaining the listing status of the Company" in the letter from the Board and the letter from Kingston Securities, there was no agreement, arrangement or understanding existing whereby any securities to be acquired or acquired pursuant to the Offer will be transferred, charged or pledged to any other persons.

(b) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between Ti Yu, Mr. Wong or any parties acting in concert with any one of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offer.

(c) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (i) the Company; (ii) any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code; (iii) Ti Yu or Mr. Wong; or (iv) any parties acting in concert with Ti Yu or Mr. Wong.

(d) As at the Latest Practicable Date, no agreements or arrangements to which Ti Yu or Mr. Wong is a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

7. ARRANGEMENTS AFFECTING DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.

There had been no material contract entered into by the Offeror in which any Director has a material personal interest.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts with the Company or any of its subsidiaries or associated companies in force for Directors (i) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the offer period; or (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters and reports (as the case may be) are contained in this Composite Offer Document:

Name	Qualifications
Kingston Corporate Finance	a licensed corporation permitted to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	a licensed corporation permitted to carry on business in type 1 (dealing in securities) regulated activity under the SFO
Baron	a licensed corporation permitted to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Savills Valuation and Professional Services Limited	Property valuers

Each of Kingston Corporate Finance, Kingston Securities, Baron and Savills Valuation and Professional Services Limited has given and has not withdrawn their written consents to the issue of this Composite Offer Document with the inclusion of their respective expert's statements and the references to their respective names in the form and context in which they respectively appear.

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

11. MATERIAL CONTRACTS

No contract, not being a contract entered into in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by any member of the Group after the date two years prior to the date of the Joint Announcement and up to the Latest Practicable Date which is, or may be, material.

12. MISCELLANEOUS

(a) The registered office of the Company is at Charendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Suites 701-702, 7th Floor, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr Ting Lam Kwai, James who is an associate member of the Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountant.

(e) The qualified accountant of the Company is Ms Lee Yin Shan who is an associate member of the Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountant.

(f) The Company has established an audit committee on March 14, 2000 with written terms of reference in accordance with the requirements of the code provisions as set out in the Code on Corporate Governance Practice contained in Appendix 14 of Listing Rules. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr Chan Ka Ling Edmond, Mr Lo Wa Kei Roy and Mr Ching Kwok Ho Samuel. Mr Chan Ka Ling Edmond is the Chairman of the audit committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. The duties of the audit committee are to review and provide supervision over the financial reporting process of the Group. The audit committee meets regularly with the management and the external auditors to discuss the accounting principles and practices adopted by the Group and financial reporting matters.

(g) The Board comprises three executive Directors, namely, Ms. Cheung Yin Sheung, Subraina, Mr. Tong Kwong Fat and Ms. Yung Wing Sze, Vivian, one non-executive Director, namely, Ms. To Ming Oi Wendy and three independent non-executive Directors, namely, Mr. Chan Ka Ling, Edmond, Mr. Ching Kwok Ho, Samuel and Mr. Lo Wa Kei, Roy.

(h) The principal members of the parties acting in concert with Ti Yu include Ti Yu and Mr. Wong, who is the sole director and shareholder of Ti Yu.

(i) The registered office of Ti Yu is at Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The correspondence address of Ti Yu and Mr. Wong in Hong Kong is at Unit 4108, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(j) The registered office of Kingston Corporate Finance is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(k) The registered office of Kingston Securities is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(l) The registered office of Baron is at 4th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong.

(m) The English texts of this Composite Offer Document and the Form of Acceptance shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:30 p.m, on any weekday (except for public holidays) at the head office and principal place of business of the Company in Hong Kong at Room Suites 701-702, 7th Floor, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong; (ii) on the Company's website at http://www.gaygiano.com/investmain.html and (iii) on the website of the SFC at www.sfc.hk from the date of this Composite Offer Document up to and including the closing date of the Offer:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the two years ended 31 March 2007;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this Composite Offer Document;

(e) the letter of advice from Baron to the Independent Board Committee, the text of which is set out on pages 23 to 43 of this Composite Offer Document;

(f) the letter from Kingston Securities, the text of which is set out on pages 12 to 20 of this Composite Offer Document;

(g) the valuation report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix III to this Composite Offer Document;

(h) the letters of consent referred to in the paragraph headed "Experts and consents" in this Appendix; and

(i) the facility letter in respect of the credit facility made available to Ti Yu by Kingston Securities for financing the Offer.