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GAY GIANO INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT

The board of directors of Gay Giano International Group Limited wishes to inform the public the information further to the recent press reports in relation to Mr. Cheung Sing Chi, the ex-chairman of the Company.

Mr. Cheung resigned as the chairman and an executive director of the Company with effect from 8 July 2002.

It is the Company's intention and determination that the Company will continue to comply with all Hong Kong laws and applicable rules and regulations.

Investors are strongly advised to exercise caution when dealing in the shares of the Company.

At the request of Gay Giano International Group Limited (the "Company", together with its subsidiaries, the "Group"), trading in the shares of the Company was suspended with effect from 9:30 a.m. on 3 July 2002 pending release of this announcement. An application has been made for resumption of trading of the shares with effect from 9:30 a.m. on 9 July 2002.

The Company wishes to inform the public the information further to the recent press reports in relation to Mr. Cheung Sing Chi's being arrested.

NEWSPAPER REPORTS

The board of directors of the Company (the "Board") was informed by Mr. Cheung Sing Chi ("Mr. Cheung") that the Commercial Crime Bureau ("CCB") has lodged a charge against him that between 1 October 1999 and 14 October 2000, he conspired with other persons to defraud the Securities and Futures Commission and such companies, firms and persons as might be induced to trade in shares in the Company by dishonestly creating a false or misleading appearance or active trading in the shares of the Company (the "Allegation").

Except for Mr. Cheung, no members of the Board or any of the senior management of the Company have been charged by CCB.

The Company will publish further announcements to keep the public informed of the progress in relation to the Allegation.

RESIGNATION OF CHAIRMAN AND EXECUTIVE DIRECTOR

In light of the Allegation against him and in the interests of the Company and the Group, Mr. Cheung has agreed to resign from the chairman and executive director of the Company with effect from 8 July 2002.

As at the date of this announcement, Mr. Cheung is the controlling shareholder of the Company and holds 72.5% in the issued share capital of Gay Giano (BVI) Group Limited, which in turn holds a 60% equity interest in the Company.

Accordingly, the Board hereby announces that Mr. Cheung has resigned as the chairman and executive director of the Company with effect from 8 July 2002. The Board extends its appreciations to Mr. Cheung for his past contributions to the Company.

After the resignation of Mr. Cheung, there are in total 2 executive directors, 1 non-executive director and 2 independent non-executive directors in the Company.

OPERATION OF THE COMPANY

Since there are no directors resign other than Mr. Cheung and the senior management and key personnel are still in charge of the Company's business, the Board considers that the resignation of Mr. Cheung should not have any adverse impacts to the operation of the Company. At present, the senior management and key personnel of various departments of the Company in Hong Kong and the People's Republic of China are all performing and functioning as usual.

Before the resignation of Mr. Cheung, he was responsible for the overall strategic planning, merchandising and fashion design management of the Group. After Mr. Cheung's resignation, his responsibilities will be handled by the Board and the senior management of the Company. In order to ensure a smooth handover of management and control, the Board has the intention of inviting Mr. Cheung to act as a consultant on the aspects of merchandising and fashion design management of the Company and this proposal has been communicated to Mr. Cheung, though detailed terms and conditions of such appointment have not yet been fixed. Mr. Cheung confirms that if he receives any invitation from the Board, he will agree to act as a consultant to the Company. The Company understands that since Mr. Cheung is the controlling shareholder of the Company as well as the brother of Ms. Cheung Yin Sheung, Subraina and the brother-in-law of Mr. Tong Kwong Fat, both the executive directors of the Company, the transactions between Mr. Cheung and the Company should constitute connected transactions as defined under chapter 14 of the Rules Governing the

Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Rules”). The Company hereby confirms that it will comply with the relevant provisions of the Rules accordingly. In light of the above, the Board considers that the normal operation and long term development of the Company will not be affected by the resignation of Mr. Cheung. In addition, the Board confirms that at present, the resignation of Mr. Cheung should not have adverse impact on the financial position of the Company.

The Board will, at appropriate times, appoint additional senior and qualified personnel experienced in the business of retail of fashion apparel to join the management team of the Company to further develop and strengthen the professional management control of the operation of the Company.

It is always the Company’s intention and determination to continue to comply with all Hong Kong laws and applicable rules and regulations.

SUSPENSION OF TRADING OF SHARES

At the request of the Company, an application has been made for resumption of trading of the shares of the Company with effect from 9:30 a.m. on 9 July 2002.

Investors are strongly advised to exercise caution when dealing in the shares of the Company.

By Order of the Board of
GAY GIANO INTERNATIONAL GROUP LIMITED
Mr. Lee Kwong Yiu
Company Secretary

Hong Kong, 8 July 2002

Please also refer to the published version of this announcement in the (*The Standard*)