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GAY GIANO
INTERNATIONAL
GAY GIANO INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 686)

**VERY SUBSTANTIAL ACQUISITION
INVOLVING ISSUE OF CONVERTIBLE BONDS TO THE VENDOR:
CANCELLATION OF PREVIOUS SALE AND PURCHASE AGREEMENT AND
EXECUTION OF OPTION AGREEMENT**

THE ACQUISITION

Reference is made to the Previous Announcement in relation to the proposed acquisition by Yield Long, a wholly-owned subsidiary of the Company, from Universal Summit of indirect interests in four highways and certain investment properties in the PRC through the acquisition of the Million Alliance Shares and Equity Holdings Share pursuant to the Sale and Purchase Agreement. On 26 September 2008, (i) the parties to the Sale and Purchase Agreement entered into the Termination Agreement, pursuant to which the Sale and Purchase Agreement has been terminated and of no effect thereafter; and (ii) the Parties entered into the Option Agreement, pursuant to which the said acquisition by the Group has been streamlined by focusing the investment on the development and operation of two highways only, namely the Pinghong Highway and Airui Highway. By entering into the Termination Agreement, the Group will not purchase the Million Alliance Shares and the Equity Holdings Share as stipulated in the Sale and Purchase Agreement. Pursuant to the Option Agreement, the Group has been granted the Purchase Option, pursuant to which the Group has the rights at its absolute discretion, but is not obliged, to acquire the Option Interests (being 75% equity interests in each of Equity Pinghong (which holds the Pinghong Highway) and Equity Airui (which holds the Airui Highway) and the Option Loan (being all non interest-bearing outstanding amounts, repayable on demand, due from Equity Airui to Universal Summit).

The Total Consideration for the Option Interests and the Option Loan in the total amount of RMB190 million (without adjustment) is to be satisfied as to RMB25 million by cash and as to RMB165 million by the issue of the Convertible Bonds by the Company to Universal Summit and/or its nominee(s). Particulars of the Consideration are set out in the paragraph headed "Total Consideration for the Option Interests and Option Loan upon exercise of the Purchase Option by the Group" under the section headed "The Option Agreement" below. Details of the Convertible Bonds are set out in the section headed "the Convertible Bonds" below.

The Acquisition following exercise of the Purchase Option by the Group (if any) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has an interest in the Acquisition which is materially different from the other Shareholders as at the date of this announcement. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Option Agreement and the transactions contemplated thereunder (including the exercise of the Purchase Option). A circular containing, inter alia, further details of the Option Agreement (including the Acquisition) will be dispatched to the Shareholders as soon as possible.

INTRODUCTION

Reference is made to the Previous Announcement in relation to the proposed acquisition by Yield Long (a wholly-owned subsidiary of the Company and the purchaser under the Sale and Purchase Agreement) of indirect interests in four highways and certain investment properties in the PRC through the acquisition of the Million Alliance Shares and Equity Holdings Share beneficially and directly owned by Universal Summit (the vendor under the Sale and Purchase Agreement) pursuant to the Sale and Purchase Agreement. On 26 September 2008, (i) the parties to the Sale and Purchase Agreement entered into the Termination Agreement, pursuant to which the Sale and Purchase Agreement would be terminated (and the Group has no obligation to acquire the Million Alliance Shares and Equity Holdings Share under the Sale and Purchase Agreement); and (ii) the Parties entered into the Option Agreement, pursuant to which the Group has been granted the Purchase Option in relation to the acquisition of the Option Interests and the Option Loan by the Group (upon exercise of the Purchase Option (if any), pursuant to which the Group will streamline its acquisition as detailed in the Previous Announcement by focusing the investment on the development and operation of two highways only, namely the Pinghong Highway and Airui Highway).

THE TERMINATION AGREEMENT

Date

26 September 2008

Parties

The Company, Yield Long (a wholly-owned subsidiary of the Company and the purchaser under the Sale and Purchase Agreement), Universal Summit (the vendor under the Sale and Purchase Agreement) and the Guarantor, all being the same parties to the Sale and Purchase Agreement.

Cancellation of the Sale and Purchase Agreement

By entering into the Sale and Purchase Agreement, the parties thereto had conditionally agreed to the purchase of the Million Alliance Shares and the Equity Holdings Share by Yield Long, a wholly-owned subsidiary of the Company, from Universal Summit. Having taken into account the factors set out in the section headed “Reasons for execution of the Termination Agreement and the Option Agreement” below, the parties to the Sale and Purchase Agreement have agreed to terminate the Sale and Purchase Agreement by entering into the Termination Agreement, which execution was taken place simultaneously with the execution of the Option Agreement by the Parties (details of which are set out in the section headed “The Option Agreement” below). Upon execution of the Termination Agreement, (i) the Group has no obligation to acquire the Million Alliance Shares and the Equity Holdings Share under the Sale and Purchase Agreement; and (ii) the deposits in the total amount of RMB25 million paid by the Group to Universal Summit pursuant to the Sale and Purchase Agreement have become refundable deposits paid by the Group to the Grantors under the Option Agreement.

THE OPTION AGREEMENT

Date

26 September 2008

Parties

- (1) The Company;
- (2) the Grantee, namely Yield Long (a wholly-owned subsidiary of the Company);
- (3) the Grantors, namely Equity Realty HK (a company indirectly held as to 75% by Universal Summit) and Universal Summit (a company beneficially and solely owned by the Guarantor); and
- (4) the Guarantor, namely Mr. Huang Guo Dong.

Currently, the principal activities of the Grantors (both Universal Summit and Equity Realty HK) are investment holdings and they are not involving in any operating activities.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Grantors and their ultimate beneficial owner (i.e. the Guarantor) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Grant of the Purchase Option to the Group and assets to be acquired by the Group upon exercise of the Purchase Option

The Option Agreement was entered into by the Parties for the purpose of streamlining the proposed acquisition previously agreed to be made by the Group under the Sale and Purchase Agreement (which has been terminated and of no effect upon execution of the Termination Agreement) by focusing the Group's investment on the indirect interests in two highways, namely the Pinghong Highway and the Airui Highway. As set out in the Previous Announcement, Yield Long (as purchaser) had conditionally agreed to purchase the Million Alliance Shares and the Equity Holdings Share from Universal Summit (as vendor) under the Sale and Purchase Agreement. Million Alliance is the holding company of group of companies (including Equity Holdings) which are principally engaged in the development and operation of four highways (including the Pinghong Highway and the Airui Highway) and investment in certain investment properties in the PRC. As mentioned above, the parties to the Sale and Purchase Agreement entered into the Termination Agreement for the purpose of terminating the Sale and Purchase Agreement. In addition, the Parties simultaneously entered into the Option Agreement in relation to the grant by the Grantors (i.e. Equity Realty HK and Universal Summit) to the Grantee (i.e. Yield Long) the Purchase Option, pursuant to which the Grantee has the rights at its absolute discretion, but is not obliged, to acquire (a) the Option Interests, being 75% equity interests in each of Equity Pinghong and Equity Airui currently held by Equity Realty HK (a company as to 75% indirectly held by the Universal Summit which in turn is beneficially and solely owned by the Guarantor), and (b) the Option Loan, being the outstanding amounts due from Equity Airui to Universal Summit as at the Completion Date (which amounted to approximately RMB19.80 million in total as at 12 September 2008, which the Grantors have warranted in the Option Agreement that the Option Loan will not be less than RMB19.80 million on Completion), at the Total Consideration of RMB190 million. The Grantee may exercise the Purchase Option in respect of all of the Option Interests and the Option Loan at any time once during the Option Period (being the period commencing from the date of the Option Agreement to 31 July 2009) by serving a written notice of exercise of the Purchase Option to the Grantors.

Equity Pinghong and Equity Airui are principally engaged in the development and operation of the Pinghong Highway and the Airui Highway respectively. The execution of the Termination Agreement and the Option Agreement has enabled the Group to focus on the development and operation of the Pinghong Highway and the Airui Highway by acquiring the Option Interests and the Option Loan upon exercise of the Purchase Option (if any).

Total Consideration for the Option Interests and Option Loan upon exercise of the Purchase Option by the Group

Pursuant to the Option Agreement, the Total Consideration for the Option Interests and the Option Loan to be acquired by the Group upon its exercise of the Purchase Option (if any) amounted to RMB190 million (equivalent to approximately HK\$211 million) in total, which will be satisfied by the Group in the following manner:

- (i) a total of RMB25 million (equivalent to approximately HK\$28 million) (“Refundable Deposit”) has been paid by the Group to the Grantors in cash as refundable deposit and as part payment of the Total Consideration upon signing of the Option Agreement (the Group had paid to Universal Summit (a) HK\$12,000,000 (equivalent to approximately RMB10.64 million at the exchange rate of RMB1.00 = HK\$1.128) upon execution of the Sale and Purchase Agreement as first deposit payable under the Sale and Purchase Agreement, and (b) HK\$9,000,000 (equivalent to approximately RMB7.98 million at the exchange rate of RMB1.00 = HK\$1.128) on 29 May 2008 and HK\$7,200,000 (equivalent to approximately RMB6.38 million at the exchange rate of RMB1.00 = HK\$1.128) on 4 June 2008 as the second deposit payable under the Sale and Purchase Agreement (before payment of the first part of the second deposit in the amount of HK\$9,000,000 was made by the Group on 29 May 2008, Universal Summit has delivered to the Company the respective instruments of transfer and contract notes in respect of the Million Alliance Shares and the Equity Holdings Share duly signed by Universal Summit and undated and accompanied by the relevant certificate(s) to fulfill its pre-completion obligations under the Sale and Purchase Agreement (details of the pre-completion obligations of Universal Summit was set out in paragraph headed “Pre-Completion Obligations” under the section headed “The Sale and Purchase Agreement” of the Previous Announcement). The Company considers that the pre-completion obligations are fulfilled. Upon simultaneous execution of the Termination Agreement and the Option Agreement, the first deposit and the second deposit in the total amount of RMB25 million paid by the Group to Universal Summit under the Sale and Purchase Agreement have been regarded as the Refundable Deposit paid by the Grantee to the Grantors under the Option Agreement.; and
- (ii) the balance of the Total Consideration in the amount of RMB165 million (equivalent to approximately HK\$183 million) will be settled by the issue of the Convertible Bonds by the Company to Universal Summit and /or its nominee(s) following exercise by the Group of the Purchase Option and upon completion of the acquisition of the Option Interests and the Option Loan by the Group pursuant thereto.

No option premium is payable under the Option Agreement. Upon exercise of the Purchase Option by the Group (if any), the Total Consideration for the Acquisition will be RMB190,000,000 pursuant to the terms of the Option Agreement. The Purchase Option may be exercised by the Group during the Option Period, being the period commences from the date of the Option Agreement until 31 July 2009 (or such later date as the Parties may agree in writing).

The cash portion of the Total Consideration in the total amount of RMB25 million (i.e. the Refundable Deposit) was financed by internal resources of the Group. Principal terms of the Convertible Bonds are set out in the section headed “Convertible Bonds” below.

The terms of the Option Agreement, including the Total Consideration and the payment terms thereof, were determined after arm's length negotiations between the Parties and after taking into account (i) the factors set out in the section headed "Reasons for execution of the Termination Agreement and the Option Agreement" below (in particular, the Directors' views that (a) the Group's existing business is subject to pressure of increase in operating costs and keen competition in the fashion apparel retail market, (b) it will be in the interest of the Group and the Shareholders as a whole for the Group to diversify its business and markets as well as to broaden its source of income, and (c) the Acquisition (now involves the acquisition of 75% equity interests in each of Equity Pinghong and Equity Airui, which are principally engaged in the development and operation of the Pinghong Highway and the Airui Highway respectively, upon exercise of the Purchase Option by the Group (if any)) provides the Group with an opportunity to attain these objectives); (ii) the unaudited net asset value of Equity Pinghong of approximately RMB223.25 million as at 31 March 2008 and the unaudited net liability of Equity Airui of approximately RMB1.17 million as at 31 March 2008 as per their respective latest management accounts; and (iii) the acquisition of 75% equity interests in each of Equity Pinghong and Equity Airui as well as the Option Loan (amounted to approximately RMB19.80 million in total as at 12 September 2008) by the Group upon its exercise of the Purchase Option (if any).

The Directors (including the independent non-executive Directors) consider that the terms of the Option Agreement, including the Total Consideration, are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

Undertaking from the Grantors and the Guarantor in respect of fulfillment of the Conditions within the Option Period

Pursuant to the Option Agreement, the Group has the rights at its absolute discretion, but is not obliged, to acquire the Option Interests from Equity Realty HK and Option Loan from Universal Summit by exercising the Purchase Option. The Grantors and the Guarantor have agreed and undertaken to use their best endeavors to procure the fulfillment of the following Conditions as soon as practicable and in any event before the expiry of the Option Period:

- (a) the Company and the Grantee being satisfied in its absolute discretion with the results of the due diligence review and investigation conducted by the Grantee and/or its agents on the assets, liabilities, operations, and affairs of the Target Companies as the Grantee may reasonably consider appropriate;
- (b) there shall not have occurred any effect or change that would be (or could reasonably be expected to be) materially adverse to the business, operations, properties, prospects, assets or conditions (financial or otherwise) of the Target Companies ("Material Adverse Effect"), taken as a whole, or any event, change, effect or development that would, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect on any of the Target Companies;
- (c) the Grantors and the Guarantor having delivered to the Grantee a legal opinion issued by a PRC law firm acceptable to the Grantee, and in form and substance acceptable to the Grantee;

- (d) the passing of the resolution by Shareholders in a general meeting approving the Option Agreement and the transactions contemplated thereunder (including exercise of the Purchase Option by the Group (if any) and the issue of the Convertible Bonds upon Completion);
- (e) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares;
- (f) (where required) the Bermuda Monetary Authority granting its permission in respect of the allotment and issue of the Conversion Shares;
- (g) all necessary consents, approval and authorizations having been obtained from all relevant authorities in the PRC, Hong Kong and in any other applicable jurisdiction in connection with the transactions contemplated under the Option Agreement, the implementation of the transactions contemplated thereunder and all other matters incidental thereto, including but not limited to the consents from relevant PRC authorities granting concession rights relating to the construction, operation and management of the Pinghong Highway and the Airui Highway for the change in shareholder(s) of the Target Companies etc.; and
- (h) there being no event existing or having occurred and no condition being in existence which would constitute a material breach of any of the representations, warranties, undertakings or indemnities made or given by the Grantors and/or the Guarantor to the Company and the Grantee under the Option Agreement and any other agreement, document or certificate entered into in connection with the transactions contemplated by the Option Agreement.

The Directors consider that except condition (h) above, they will not waive the Conditions in exercising the Purchase Option. In waiving any matter in relation to condition (h) above, the Directors will ensure that the waiver will be in the interests of the Company and the Shareholders as a whole.

For the avoidance of doubt, if all of the Conditions are fulfilled during the Option Period, the Grantee may or may not exercise the Purchase Option for it is at the absolute discretion of the Grantee as to whether the Purchase Option will be exercised or not. In addition, the Grantee will not exercise the Purchase Option if the Group is not satisfied about the fulfillment of any of the Conditions and the Group does not waive Conditions h at its absolute discretion on or before date of expiry of the Option Period (or such other date as the Parties may agree in writing). If the Group does not exercise the Purchase Option during the Option Period, the Grantors shall forthwith refund the Refundable Deposit without interest to the Group immediately upon expiry of the Option Period. Thereafter, the Option Agreement shall be null and void and of no further effect and no party thereto shall have any further liability to any other parties under or in connection with the Option Agreement without prejudice to the rights of any such parties in respect of any antecedent breaches.

On execution of the Option Agreement, New Alliance, being shareholder of Equity Realty HK holding 75% of its shares, has executed a share charge in favour of the Grantee. Pursuant to the share charge, New Alliance has pledged the said 75% shares in Equity Realty HK to the Grantee to secure the performance by the Grantors of their obligations under the Option Agreement, including the refund of the Refundable Deposit if the Purchase Option is not exercised by the Group during the Option Period.

Upon exercise of the Purchase Option by the Group during the Option Period, or upon expiry of the Option Period where the Purchase Option is not exercised by the Group (as the case may be), the Company will issue an announcement to inform the public.

Completion of the Acquisition upon exercise of the Purchase Option by the Group

Subject to fulfillment of the Conditions in full (or as appropriate, to waive of Condition (h) by the Group) and the exercise of the Purchase Option by the Group, Completion shall take place on the third business days (or such other date as the Parties may agree in writing) following:

- (a) approval of the transfer of the Option Interests and assignment of the Option Loan (if required) by the relevant PRC government authorities;
- (b) registration of the change of equity holders of each of the Target Companies with the Administration of Industry and Commerce; and
- (c) modification of the record on the equity holders and their capital contributions in the articles of association and registers of equity holders of each of the Target Companies.

At Completion, the Company will issue the Convertible Bonds to Universal Summit and/ or its nominee(s) as payment of the balance of the Total Consideration.

THE CONVERTIBLE BONDS

Issue of the Convertible Bonds and the revised principal terms thereof

As set out in the paragraph headed “Total Consideration for the Option Interests and the Option Loan upon exercise of the Purchase Option by the Group” of the section headed “The Option Agreement” above, part of the Total Consideration in the amount of RMB165 million (equivalent to approximately HK\$183 million) will be settled by way of issue of the Convertible Bonds to Universal Summit and/ or its nominee(s) by the Company upon Completion, if the Purchase Option is exercised by the Group.

The terms of the Convertible Bonds currently agreed by the Parties under the Option Agreement are different from those agreed under the Sale and Purchase Agreement (which were detailed in the Previous Agreement). The terms of the Convertible Bonds have been changed after arm's length negotiation between the Parties by taking into account the reduced size of the Convertible Bonds from approximately US\$58.57 million under the Sale and Purchase Agreement to approximately US\$23.57 million under the prevailing market conditions, in particular, the recent market performance of the Shares during the course of negotiation between the Parties to revise the structure of the transactions by entering the Termination Agreement and the Option Agreement. The Directors therefore consider that the changes in the terms of the Convertible Bonds is appropriate and the terms currently agreed under the Option Agreement are fair and reasonable. Set out below are the principal terms of the Convertible Bonds under the Option Agreement:

Aggregate principal amount	US\$23,571,428 (equivalent to RMB165,000,000 at the exchange rate of US\$1 to RMB7) (and no adjustment thereto will be made pursuant to the terms of the Option Agreement).
Maturity Date	<p>The date falling three years after the Issue Date, on which all outstanding principal amount, together with accrued interests, shall become due and repayable by the Group to the holder(s) of the Convertible Bonds.</p> <p>Save that the holder(s) of the Convertible Bonds may request the Company to redeem the Convertible Bonds on occurrence of any event of default specified in the terms and conditions of the Convertible Bonds, no part of the outstanding principal amount of the Convertible Bonds may be early redeemed by the Company, and the holder(s) of the Convertible Bonds is not entitled to request for early redemption before the Maturity Date.</p>
Issue price and redemption price at maturity	<p>Issue price — 100% of the aggregate principal amount of US\$23,571,428.</p> <p>Redemption price at maturity — 110% of the outstanding principal amount of the Convertible Bonds on the Maturity Date.</p>
Face value of the bond certificates	US\$1,000,000 per bond certificate with the balance of US\$571,428 to be in one bond certificate.
Interest rate	The Convertible Bonds shall bear an interest at the rate of 2% per annum, payable semi-annually in arrears. In addition, if the Company does not pay any sum payable under the Convertible Bonds when due (“overdue sum”), it shall pay a default interest at the rate of 1% per annum in respect of the outstanding overdue sum during the period beginning on the due date and ending on the date of actual payment of the overdue sum.

Conversion Period The Convertible Bonds, which will amount to US\$23,571,428 in total upon issue, will be convertible during the period from 14 days from the Issue Date to the Maturity Date (being the third anniversary of the Issue Date).

Conversion Price The holder(s) of the Convertible Bonds may exercise the conversion rights attaching thereto to subscribe for the Conversion Shares at the Conversion Price in effect during the Conversion Period.

Initial Conversion Price:

HK\$0.90, representing (i) a premium of approximately 38.5% over the closing price of HK\$0.65 per Share on 26 September 2008, being the date of the Option Agreement; (ii) a premium of approximately 34.3% over the average of the closing prices per Share for the five trading days up to and including 26 September 2008, being HK\$0.67 per Share; (iii) a premium of approximately 28.6% over the average of the closing prices per Share for the ten trading days up to and including 26 September 2008, being HK \$0.7 per Share; and (iv) a premium discount of approximately 9.8% to the average of the closing prices per Share for the thirty trading days up to and including 26 September 2008, being HK\$0.82 per Share.

Others:

The Conversion Price shall also be subject to certain customary anti-dilution adjustments (including consolidation or subdivision of Shares, capitalization of profits or reserves or capital distribution).

Transferability No assignment or transfer (whether in whole or in part(s)) of the Convertible Bonds may be made unless:

- (i) it is made to person(s) independent of and not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as such terms are defined in the Listing Rules) (accordingly, the Convertible Bonds may not be transferred to any connected person (has the meaning ascribed thereto under the Listing Rules) of the Company); and
- (ii) the principal amount to be assigned or transferred is at least US\$1,000,000 and in integral multiples of US\$1,000,000, unless the amount of the outstanding Convertible Bond held by the relevant holder of the Convertible Bonds is less than US\$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

- Voting A holder of the Convertible Bonds will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being a holder of the Convertible Bonds.
- Others (A) The conversion rights of the Convertible Bonds shall not be exercised by a holder if, immediately following the conversion:
- (a) the Company will be unable to meet the public float requirement under the Listing Rules; or
 - (b) the holder of the Convertible Bond together with the parties acting in concert with it (has the meaning as ascribed thereto under the Hong Kong Code on Takeovers and Mergers) will:
 - (i) hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Hong Kong Code on Takeovers and Mergers (whether or not a waiver of the mandatory general offer obligation has been granted); or
 - (ii) hold shareholding interest which is more than the shareholding interest of Ti Yu Investments Limited, the controlling Shareholder of the Company.
- (B) The number of Conversion Shares to be issued on conversion of the Convertible Bonds will be determined by dividing the principal amount of the Convertible Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK\$7.80=US\$1.00) by the Conversion Price in effect at the date of the conversion.

(Note: Pursuant to the Option Agreement, (i) there will be no Conversion Price reset mechanism; (ii) call option and put option relating to the Convertible Bonds will not be granted to the Company and the holder(s) of the Convertible Bonds respectively; (iii) no security will be provided by the Company to the holder(s) of the Convertible Bonds; and (iv) there will be no restriction to issue further convertible bonds by the Company as agreed under the Sale and Purchase Agreement and set out in the Previous Announcement.)

Upon exercise of the conversion rights attaching to the Convertible Bonds in full at the Initial Conversion Price of HK\$0.90 per Share, a total of approximately 204,285,709 Conversion Shares, representing approximately 82.10% of the existing issued share capital of the Company and approximately 45.08% of the enlarged issued share capital of the Company after issue of the Conversion Shares, will be allotted and issued.

The Convertible Bonds will not be listed on the Stock Exchange or any other Stock Exchange. Application will be made by the Company to the Stock Exchange for listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

Future announcements in relation to conversion of the Convertible Bonds

Upon full conversion of the Convertible Bonds, the interests of the existing Shareholders would become materially diluted. Accordingly, the Company will make subsequent disclosure of the relevant details of the conversion relating to the Convertible Bonds in the manner described below to enable the Shareholders and the public to appraise the position of the Company from time to time:

- (i) the Company will make a monthly announcement (the “Monthly Announcement”) on the websites of the Stock Exchange and the Company for so long as any Convertible Bonds are outstanding. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - a. whether there is any conversion of the Convertible Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - b. the outstanding principle amount of Convertible Bonds after the conversion, if any;
 - c. the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of the Options and any options under any share option scheme(s) of the Company; and
 - d. the total issued share capital of the Company as at the commencement and the last day of the relevant months;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be); and
- (iii) if the Company forms the view that any issue of Convertible Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Convertible Bonds as mentioned in (i) and (ii) above.

SHAREHOLDING STRUCTURE

Assuming that the Purchase Option is exercised by the Group and the Convertible Bonds are issued by the Group thereupon, the following table shows the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon full conversion of the Convertible Bonds by Universal Summit and/or its nominee(s) at the Initial Conversion Price of HK\$0.90 per Share; and (iii) upon full conversion of the Convertible Bonds by Universal Summit and/or its nominee(s) at the Initial Conversion Price of HK\$0.90 per Share and the exercise of the subscription rights attaching to the Call Options for Shares at the subscription price of HK\$2.80 per Share:

	As at the date of this announcement		Upon full conversion of the Convertible Bonds by Universal Summit (together with its nominee(s)) (Note 4)		Upon full conversion of the Convertible Bonds by Universal Summit (together with its nominee(s)) and the exercise of the subscription rights attaching to the Call Options for Shares (Notes 3 and 4)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ti Yu Investments Limited (Note 1)	84,004,000	33.76	84,004,000	18.54	84,004,000	17.03
Generation Japan Master Fund	36,000,000	14.47	36,000,000	7.94	36,000,000	7.30
Asian Harvest Enterprises Ltd (Note 2)	30,000,000	12.06	30,000,000	6.62	30,000,000	6.08
Universal Summit (together with its nominee(s))	—	—	204,285,709	45.08	204,285,709	41.42
Public Shareholders						
Holders of Call Options for Shares	—	—	—	—	40,026,000	8.12
Other public Shareholders	98,836,000	39.71	98,836,000	21.82	98,836,000	20.05
Total	248,840,000	100.00	453,125,709	100.00	493,262,709	100.00

Notes:

1. Ti Yu Investments Limited is solely owned by Mr. Wong Pak Lam, Louis, an executive Director and the Chairman of the Company.
2. Asian Harvest Enterprises Ltd is solely owned by Mr. Gu Zhi Hao and was the subscriber of the new Shares under general mandate. Details of the subscription of the shares by Asian Harvest Enterprises Ltd were set out in the announcements dated 20 August 2008 and 3 September 2008.
3. Details of the placing of the Call Options for Shares were set out in the announcement of the Company dated 18 September 2007. The Call Options for Shares were granted in September 2007. Pursuant to the terms of the Call Options for Shares, a total of 40,260,000 Shares will be issued at the initial subscription price of HK\$2.80 per Share upon exercise of the subscription rights attaching to the Call Options for Shares in full during an 18-month period commencing from 25 September 2007, being the date of granting of the Call Option for Shares.

4. According to the terms of the Convertible Bonds, the conversion rights of the Convertible Bonds shall not be exercised by a holder if, among other things, immediately following the conversion, the Company will be unable to meet the public float requirement under the Listing Rules, or if the holder of the Convertible Bond together with the parties acting in concert with it (has the meaning as ascribed thereto under the Hong Kong Code on Takeovers and Mergers) will (i) hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Hong Kong Code on Takeovers and Mergers (whether or not a waiver of the mandatory general offer obligation has been granted); or (ii) hold shareholding interest which is more than the shareholding interest of Ti Yu Investments Limited, the controlling Shareholder in the Company. The above table is therefore for illustrative purpose only.

REASONS FOR EXECUTION OF THE TERMINATION AGREEMENT AND THE OPTION AGREEMENT

The Group is currently principally engaged in the manufacture, retail and wholesale of fashion apparel and complementary accessories.

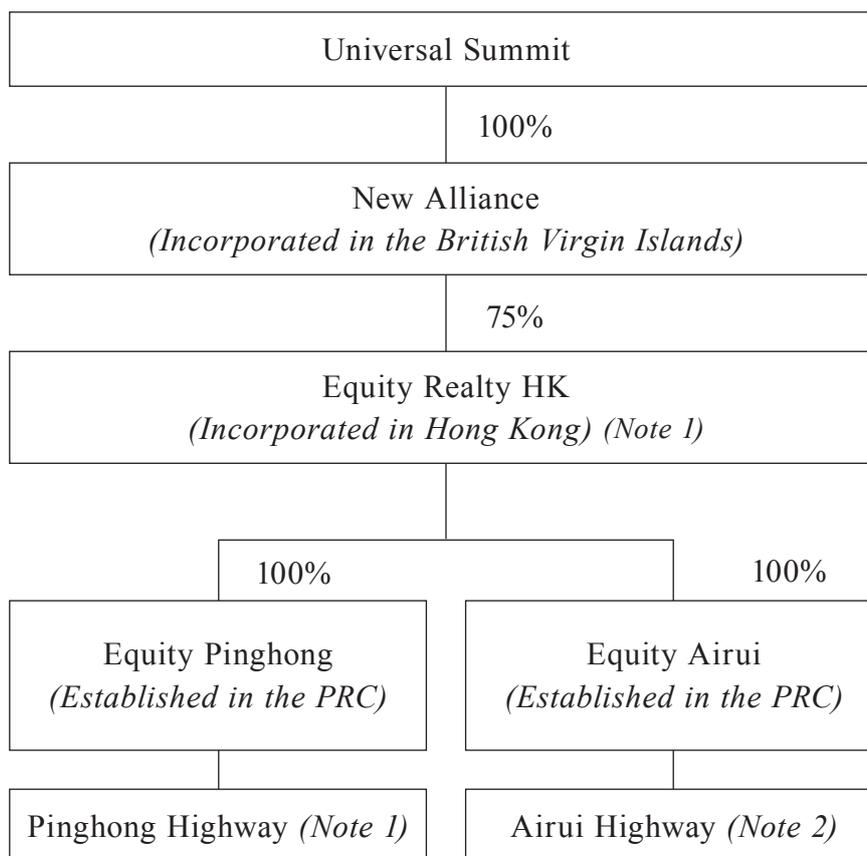
Based on the information set out in the Company's annual report for the year ended 31 March 2008, approximately 98.5% and 100% of the Group's audited consolidated turnover for the years ended 31 March 2007 and 2008 respectively were attributable to sales to external customers in Hong Kong. In addition, the Group recorded audited net loss of approximately HK\$2.56 million and HK\$21.64 for the years ended 31 March 2007 and 2008 respectively. The Directors consider that the Group's business is subject to pressure of increase in operating costs, and keen competition in the fashion apparel retail market in Hong Kong. The Directors therefore are of the view that it will be in the interest of the Group and the Shareholders as a whole if the Group is able to diversify its business and markets as well as to broaden its source of income. The Company and Yield long (as purchaser), a wholly-owned subsidiary of the Company, therefore entered into the Sale and Purchase Agreement for the purposes of diversifying the Group's business and markets as well as broadening its source of income through the acquisition of the entire shareholding interests in Million Alliance and Equity Holdings, which indirectly hold controlling interests in four highways, namely the Pinghong Highway, the Airui Highway, the Ganyi Highway, the Ganrun Highway, and certain investment properties in the PRC. Pursuant to the terms of the Sale and Purchase Agreement, due diligence in respect of Million Alliance and its subsidiaries as well as the said four highways and investment properties in the PRC has been carried out by the Group. However, the Group has not been provided with sufficient information for the due diligence in respect of subsidiaries of Million Alliance which hold the Ganyi Highway, the Ganrun Highway and the investment properties in the PRC, due to the unavailability of such information as per Universal Summit, the vendor of the Million Alliance Shares and the Equity Holdings Share under the Sale and Purchase Agreement. In addition, the Group has noticed that certain issues, in particular the extension/renewal of the concession rights of the Pinghong Highway and the Airui Highway, have yet to be dealt with and/or

clarified by Equity Pinghong, Equity Airui and their holding company (for example, based on the due diligence carried out by the Group so far, the Group has noticed that according to two concession rights agreements entered into by Equity Realty HK and 江西省交通廳 (Department of Communications of Jiangxi Province) in respect of the concession rights of the Pinghong Highway and the Airui Highway respectively, the construction works of the two highways should have been completed by 30 December 2007, otherwise 江西省交通廳 (Department of Communications of Jiangxi Province) may not agree to extend the concession rights. As at the date of this announcement, the construction works of the Pinghong Highway and the Airui Highway have not been completed, and application relating to the extension of the concession rights have not been made by Universal Summit, Equity Realty HK, Equity Pinghong or Equity Airui.)

After further negotiation, the Parties have agreed to enter into the Option Agreement simultaneously with the execution of the Termination Agreement by the parties to the Sale and Purchase Agreement in order to (i) streamline the acquisition targets of the Group by focusing investment on the development and operation of two highways only, namely the Pinghong Highway and the Airui Highway; (ii) grant to the Group the Purchase Option, pursuant to which the Group has the right at its absolute discretion, but is not obliged to, acquire the Option Interests, being 75% equity interests in each of Equity Pinghong and Equity Airui, and the Option Loan (and the Group will consider to exercise of the Purchase Option only after fulfillment of all of the Conditions detailed in the above paragraph headed “Undertaking from the Grantors and the Guarantor in respect of fulfillment of the Conditions within the Option Period” or in respect of Condition (h) only, waiver of Condition (h), of the section headed “The Option Agreement”; and (iii) change the terms of the Convertible Bonds which will be issued by the Company to partly settle the Total Consideration upon exercise of the Purchase Option by the Group (if any). The Directors consider that by entering into the Option Agreement, on one hand the Group will retain the opportunity to diversify its business, market and income source through investment on the Pingong Highway and the Airui Highway; on the other hand the Group has the rights at its absolute discretion, but is not obliged to, acquire the Option Interests and the Option Loan by exercising the Purchase Option only until all of the Conditions, in particular Condition (g) set out in the paragraph headed “Undertaking from the Grantors and the Guarantor in respect of fulfillment of the Conditions within the Option Period”, are fulfilled in full, or in respect of Condition (h) only, waiver of Condition (h), in which case the risk of the Group would be reduced.

INFORMATION (INCLUDING FINANCIAL INFORMATION) ON EQUITY PINGHONG AND EQUITY AIRUI

Set out below is the existing shareholding structure of Equity Pinghong and Equity Airui:



Notes:

- (1) Based on the due diligence in respect of the Target Companies carried out by the Group so far, the Group has noticed that certain issues, in particular the extension/renewal of the concession rights of the Pinghong Highway and the Airui Highway, have yet to be dealt with and/or clarified by Equity Pinghong, Equity Airui and their holding company (for example, according to two concession rights agreements entered into by Equity Realty HK and 江西省交通廳 (Department of Communications of Jiangxi Province) in respect of the concession rights of the Pinghong Highway and the Airui Highway respectively, the construction works of the two highways should have been completed by 30 December 2007, otherwise 江西省交通廳 (Department of Communications of Jiangxi Province) may not agree to extend the concession rights. As at the date of this announcement, the construction works of the Pinghong Highway and the Airui Highway have not been completed, and application relating to the extension of the concession rights have not been made by Universal Summit, Equity Realty HK, Equity Pinghong or Equity Airui. Pursuant to the terms of the Option Agreement, all of the Conditions, in particular Condition (g) set out in the paragraph headed “Undertaking from the Grantors and the Guarantor in respect of fulfillment of the Conditions within the Option Period”, shall be fulfilled in full or in respect of Condition (h) only, waived by the Group, otherwise the Group will not exercise the Purchase Option.
- (2) Please refer to the Previous Announcement for other information on Equity Realty HK, Equity Pinghong, Equity Airui, the Pinghong Highway and the Airui Highway.

Set out below is the currently available financial information on Equity Pinghong and Equity Airui:

Profits/losses

Company	For the year ended 31 December 2006		For the year ended 31 December 2007	
	Profit/(Loss) before taxation and extraordinary items	Profit/(Loss) after taxation and extraordinary items	Profit/(Loss) before taxation and extraordinary items	Profit/(Loss) after taxation and extraordinary items
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Approximate)	(Approximate)	(Approximate)	(Approximate)
Equity Pinghong (RMB'000)	(6,562)	(6,562)	(2,956)	(2,956)
Equity Airui (RMB'000) (<i>Note 1</i>)	—	—	(957)	(957)

Net asset value

Company	As at 31 December 2007	As at 31 March 2008
	Net asset/ liability value (Unaudited) (Approximate)	Net asset/ liability value (Unaudited) (Approximate)
Equity Pinghong (RMB'000)	223,819	223,248
Equity Airui (RMB'000) (<i>Note 1</i>)	(957)	(1,169)

Note 1: Equity Airui was incorporated on 23 October 2007. No financial information on the company is available for the financial years ended 31 December 2006. As per the management accounts of Equity Airui, the loss before tax and the loss after tax for the period from its date of incorporation to 31 December 2007 were approximately RMB957,000.

Note 2: The above unaudited financial information on Equity Pinghong and Equity Airui were prepared in accordance with the generally accepted accounting principles of the Hong Kong. All of the above financial information are prepared at individual company level only.

Upon Completion if the Purchase Option is exercised by the Group, Equity Pinghong and Equity Airui will become 75%-owned subsidiaries of the Company and their financial results will be consolidated with those of the Group.

GENERAL

The Acquisition following exercise of the Purchase Option by the Group (if any) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has an interest in the Acquisition which is materially different from the other Shareholders as at the date of this announcement. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Option Agreement and the transactions contemplated thereunder (including the exercise of the Purchase Option).

A circular containing, inter alia, further details of the Option Agreement, including the Purchase Option granted thereunder, the Acquisition and issue of the Convertible Bonds upon exercise of the Purchase Option by the Group (if any), and information on Equity Pinghong and Equity Airui, will be dispatched to the Shareholders as soon as possible.

The Company will comply with the requirements under Rule 14.76(2) of the Listing Rules and disclose in the circular in relation to the Option Agreement to the Shareholders (i) the actual monetary value of the Total Consideration payable upon exercise of the Purchase Option; (ii) all other relevant information in relation to the Option Agreement including the major terms of the Option Agreement, accountants' reports on the Target Companies, and traffic study report on the two highways of the Target Companies. In addition, as a condition for the exercise of the Purchase Option by the Group pursuant to the Option Agreement, the Group will consider exercising the Purchase Option only if, inter alia, the Company and the Grantee being satisfied in its absolute discretion with the results of the due diligence review and investigation conducted by the Grantee and/or its agents on the assets, liabilities, operations, and affairs of the Target Companies as the Grantee may reasonably consider appropriate. The Group will not exercise the Purchase Option if at the time of exercise of the Purchase Option the relevant information disclosed to the Shareholders at the time of approval at the SGM has been changed in order to comply with Rule 14.76(2) of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition by the Grantee (a wholly-owned subsidiary of the Company) of the Option Interests from Equity Realty HK and the Option Loan from Universal Summit upon exercise of the Purchase Option by the Group (if any) pursuant to the terms of the Option Agreement
“Airui Highway”	a 31-kilometer highway to be built from Ailing (隘岭) at the border of Jiangxi Province and Fujian Province, to Ruijin (瑞金) of Jiangxi Province
“Board”	the board of Directors
“BVI”	British Virgin Islands

“Call Options for Shares”	up to 40,026,000 call options granted by the Company to placees for the allotment and issue of up to 40,026,000 new Shares upon exercise of the subscription rights attaching to the call options, details of which was disclosed in the announcement dated 18 September 2007
“Company”	Gay Giano International Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition upon exercise of the Purchase Option by the Group (if any) pursuant to the terms of the Option Agreement
“Completion Date”	date of completion of the Acquisition following exercise of the Purchase Option by the Group (if any) pursuant to the terms of the Option Agreement
“Conditions”	conditions the fulfillment of which before expiry of the Option Period has been undertaken by the Grantors and the Guarantors, details of which are set out in the paragraph headed “Undertaking from the Grantors and the Guarantor in respect of fulfillment of the Conditions within the Option Period” of the section headed “The Option Agreement” above
“Conversion Price”	the price of subscription of the Conversion Shares in effect upon exercise of the conversion rights attaching to the Convertible Bonds by the holder(s) thereof, being HK\$0.90 initially and subject to certain customary anti-dilution adjustments
“Conversion Period”	the period during which the holder(s) of the Convertible Bonds may exercise the conversion rights attaching to the Convertible Bonds to subscribe for the Shares at the Initial Conversion Price, details of which are set out in the section headed “The Convertible Bonds” of this announcement
“Conversion Shares”	a total of up to 204,285,709 Shares to be issued upon exercise of the Convertible Bonds in full at the Initial Conversion Price
“Convertible Bonds”	the US\$ denominated convertible bonds in the total principal amount of US\$23,571,428 to be issued by the Company to Universal Summit and/ or its nominee(s) upon Completion (if takes place upon exercise of the Purchase Option by the Group (if any)) for partial settlement of the Consideration
“Directors”	the directors of the Company
“Equity Holdings”	Equity Holdings Investment Limited, a company incorporated in Hong Kong which is owned as to 99.99% by Million Alliance and as to 0.01% by Universal Summit

“Equity Holdings Share”	1 share in Equity Holdings, representing 0.01% shareholding interest therein, which is beneficially held by Universal Summit
“Equity Airui”	大益隘瑞高速公路發展(江西)有限公司 (Equity Airui Highway Development (Jiangxi) Co., Ltd.), a company established in the PRC which is wholly owned by Equity Realty HK
“Equity Pinghong”	大益萍洪高速公路發展(江西)有限公司 (Equity Pinghong Highway Development (Jiangxi) Co., Ltd.), a company established in the PRC which is wholly owned by Equity Realty HK
“Equity Realty HK”	Equity Realty Development Company Limited, a company incorporated in Hong Kong which is owned as to 75% by Million Alliance, as to 12.5% by an Independent Third Party, and as to 12.5% by another Independent Third Party, and one of the grantors of the Purchase Option under the Option Agreement
“Ganrun Highway”	a 28.1-kilometer toll highway from the end of Ganyi Highway to Zhongcunao (中村坳), boarder of Jiangxi Province and Guangdong Province
“Ganyi Highway”	a 27.8-kilometer toll highway from Liren (里仁) to Nanhang (南亨) in Longnan County (龍南縣) of Jiangxi Province
“Grantee” or “Yield Long”	Yield Long Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, which is the grantee of the Purchase Option under the Option Agreement
“Grantors”	Equity Realty HK and Universal Summit
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Huang Guo Dong, the direct shareholder of Universal Summit and is an Independent Third Party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent third party(ies) which, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates
“Initial Conversion Price”	the initial conversion price of HK\$0.90 per Conversion Share upon exercise of the conversion rights attaching to the Convertible Bonds
“Issue Date”	the date of issue of the Convertible Bonds

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Convertible Bonds, being the date falling three years after the Issue Date
“Million Alliance”	Million Alliance International Limited, a company incorporated in the BVI which is solely owned by Universal Summit
“Million Alliance Shares”	10,000 shares in Million Alliance, representing 100% shareholding interest therein, which are beneficially held by Universal Summit
“New Alliance”	New Alliance International Limited, a company incorporated in the BVI which is solely owned by Universal Summit
“Option Agreement”	the deed of call option dated 26 entered into by the Parties for the purpose of granting the Purchase Option by the Grantors to the Grantee
“Option Period”	the period commencing from the date of the Option Agreement until 31 July 2009
“Option Interests”	the subject of the Purchase Option, being 75% equity interests in each of Equity Pinghong and Equity Airui currently held by the Equity Realty HK
“Option Loan”	the non interest-bearing outstanding amounts, repayable on demand, due from Equity Airui to Universal Summit as at the Completion Date, which amounted to approximately RMB19.80 million in total as at 12 September 2008
“Parties”	parties to the Option Agreement, being the Company, the Grantee, the Grantors and the Guarantor
“Pinghong Highway”	a 34.4-kilometer toll highway to be built from Pingxian City (萍鄉市) to Hongkoujie (洪口界) at the border of Hunan
“PRC”	the Peoples’ Republic of China, for the purpose of this announcement, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Previous Announcement”	the announcement of the Company dated 10 June 2008 in relation to the acquisition by Yield Long of the Million Alliance Shares and the Equity Holdings Share

“Purchase Option”	the option granted by the Grantors to the Grantee under the Option Agreement, pursuant to which the Grantee has the right at its absolute discretion, but is not obliged, to acquire the Option Interests and the Option Loan at the Total Consideration
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 May 2008 entered into amongst the Company, Yield Long (as purchaser), Universal Summit (as vendor) and the Guarantor in relation to the sale of the Million Alliance Shares and the Equity Holdings Share to Yield Long by Universal Summit
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, (i) the Option Agreement and the transactions contemplated thereunder (including the exercise of the Purchase Option); and (ii) the proposed change of name of the Company
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Equity Pinghong and Equity Airui, currently wholly-owned subsidiaries of Equity Realty HK
“Termination Agreement”	the termination agreement entered into by the parties to the Sale and Purchase Agreement for the purpose of terminating the Sale and Purchase Agreement
“Total Consideration”	the total consideration of RMB190 million for the acquisition of the Option Interests and the Option Loan upon exercise of the Purchase Option by the Group pursuant to the terms of the Option Agreement
“Universal Summit”	Universal Summit Investment Limited, the vendor of the Sale and Purchase Agreement (which has been terminated upon execution of the Termination Agreement) and one of the Grantors, which is beneficially and solely owned by the Guarantor and is the holding company of Equity Realty HK (as to 75%)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States

“km” kilometers

“%” per cent

In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ and US\$ at the conversion rates of RMB1.00 = HK\$1.11 and RMB7.00 = US\$1.00 respectively for illustration only. No representation is made that any amounts in RMB or HK\$ or US\$ could have been or could be converted at such rate or any other rates.

Certain English translation of Chinese names or words in this announcement are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

By order of the Board
Gay Giano International Group Limited
Wong Pak Lam, Louis
Chairman

Hong Kong, 26 September 2008

As at the date of this announcement, the executive Directors are Mr. Wong Pak Lam, Louis, Mr. Wong Kwong Lung, Terence and Mr. Lam Ho Fai and the independent non-executive Directors are Mr. Chan Ka Ling, Edmond, Mr. Ching Kwok Ho, Samuel, and Mr. Lo Wa Kei, Roy.