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GAY GIANO
INTERNATIONAL
GAY GIANO INTERNATIONAL GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 686)

**SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE
AND
RESUMPTION OF TRADING**

On 19 August 2008, the Company has entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to issue 30,000,000 new Shares for a consideration of HK\$24,000,000, equivalent to the Subscription Price of HK\$0.8 per Subscription Share.

The Subscription Shares of 30,000,000 new Shares represent approximately 13.7% of the existing issued share capital of the Company and approximately 12.1% of the enlarged share capital of the Company. The Subscription Shares will be issued under the General Mandate and will rank equally with the existing Shares.

Completion of the Subscription pursuant to the Subscription Agreement is conditional upon the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Subscription Shares.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30a.m. on 20 August 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 20 August 2008.

SUBSCRIPTION AGREEMENT

Date: 19 August 2008

Parties:

Issuer: The Company

Subscriber: Asian Harvest Enterprise Ltd., a third party independent of the Company and its connected persons

Number of Subscription Shares to be subscribed for:

30,000,000 new Shares, representing approximately 13.7% of the Company's existing issued share capital and about 12.1% of its issued share capital as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares agreed to be issued is HK\$3,000,000.

Subscription Price:

HK\$0.8 per Subscription Share, representing:

- (a) a discount of approximately 6.98% to the closing price of HK\$0.86 per Share quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 9.1% to the average closing price of HK\$0.88 per Share quoted on the Stock Exchange for the 5 trading days immediately prior to the Last Trading Day; and
- (c) a discount of approximately 22.3% to the average closing price of approximately HK\$1.03 per Share as quoted on the Stock Exchange for the 10 trading days immediately prior to the Last Trading Day.

The Company will be able to raise gross proceeds of approximately HK\$24 million (equivalent to HK\$0.8 per Subscription Share) and net proceeds of approximately HK\$23.9 million (equivalent to approximately HK\$0.79 per Subscription Share) from the Subscription. The Subscription Price is determined at arm's length basis and the Directors, including the independent non-executive Directors, consider that the terms of the Subscription Agreement are fair and reasonable and are in the interest of the Company. The Subscriber has paid a deposit of HK\$5,000,000 to the Company upon signing the Subscription Agreement. The balance of the Subscription Price of the Subscription Shares of HK\$19,000,000 will be paid to the Company upon Completion.

Mandate to issue the Subscription Shares:

The Subscription Shares are to be issued under the General Mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 28 September 2007. The maximum number of new Shares that can be issued under the General Mandate is 41,768,000 Shares. 10,000,000 Shares were issued on 23 October 2007 pursuant to the General Mandate from the date of its granting up to the date of this announcement.

Ranking:

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with all other Shares presently in issue and at the time of issue and allotment of the Subscription Shares.

Condition of the Subscription:

The Subscription is conditional on the granting of a listing of and permission to deal in the Subscription Shares by the Listing Committee of the Stock Exchange.

If the Condition is not fulfilled on or before 18 September 2008 (or such other date as the parties may mutually agree), the Subscription Agreement will lapse. The deposit of HK\$5,000,000 will be returned to the Subscriber on the second business day after the lapse of the Subscription Agreement. No interest will be paid by the Company thereon.

Completion of Subscription:

The third business day immediately after the Condition of the Subscription has been fulfilled (or such other date as the parties may agree).

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to improve the working capital position of the Group and to enhance the capital base of the Company. In addition, the Directors expect that with the seasoned experience of Mr. Gu in the investment industry in the PRC, Mr. Gu may be able to assist the Company in looking for investment and capital market opportunities. The Company will use the estimated net proceeds of the Subscription of approximately HK\$23.9 million, majority of which will be used to finance the acquisition of the interests in the highways and investment properties in the PRC as announced by the Company on 10 June 2008 and the remaining balance will be used as general working capital. The Directors, including independent non-executive Directors, consider the terms of the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Shareholders are concerned.

The Company considers that the Subscription is a preferred method of fund raising as compared with other fund raising exercises.

EFFECT OF THE SUBSCRIPTION ON SHAREHOLDING STRUCTURE

Assuming that there will be no change in the shareholding structure of the Company immediately before completion of the Subscription, the shareholding structure of the Company immediately before and after the Subscription will be as follows:

	As at the date of this announcement		Immediately after completion of the Subscription	
	No. of Shares	%	No. of Shares	%
Ti Yu Investments Limited (<i>Note</i>)	84,004,000	38.39	84,004,000	33.8
Generation Japan Master Fund	36,000,000	16.45	36,000,000	14.5
The Subscriber	—	—	30,000,000	12.1
Public Shareholders	98,836,000	45.16	98,836,000	39.6
Total	<u>218,840,000</u>	<u>100.00</u>	<u>248,840,000</u>	<u>100.00</u>

Note:

Ti Yu Investments Limited is solely owned by Mr. Wong Pak Lam, Louis, an executive Director and the Chairman of the Company.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Company is an investment holding company. The Group is principally engaged in manufacture, retail and wholesale of fashion apparel and complementary accessories.

The Subscriber is an investment holding company incorporated under the laws of BVI with limited liability and is wholly owned by Mr. Gu. Mr. Gu is seasoned in the investment industry and had held the senior positions in various investment companies in the PRC, including Shanghai Industrial Asset Management Company Limited (上海上實資產經營有限公司), Tian Xiang Securities (天相投資顧問有限公司) and Haitong Securities Co. (海通證券有限公司) and currently he is the executive director of the Subscriber. The Subscriber and Mr. Gu have confirmed that they and their respective associates are third parties independent of the Company and its connected persons. The Subscriber will become one of the substantial shareholders of the Company after the Completion of the Subscription.

FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The details of fund raising completed by the Company in the 12 months immediately preceding the date of this announcement are as follows:

On 18 September 2007, the Company announced that it had placed options exercisable within a period of 18 months to certain individual places to subscribe for new Shares of the Company. The gross proceeds and the net proceeds of all subscription rights under the options were estimated to be approximately HK\$112.07 million and HK\$111.74 million respectively. The Company raised HK\$400,260 by the issue of the options and received approximately HK\$11.21 million as deposit of the options. As of the date of this announcement, no options have yet been exercised and only HK\$400,260 has been utilized as working capital of the Company. The Company intends to apply the net proceeds for any possible diversified investment projects in any business which are expected to improve the profitability and/or broaden the revenue stream of the Group, as and the Board considers appropriate and in the interest of the Company and the Shareholders as a whole and as general working capital.

On 15 October 2007, the Company announced that a placing agreement and a subscription agreement were entered into in relation to a top up placing of 10,000,000 Shares to Evolution Master Fund, a third party independent to Mr. Gu and the Subscriber for a total consideration of HK\$23,400,000. The net proceeds of the top up placing were estimated to be approximately HK\$23,100,000. As of the date of this announcement, the net proceeds were utilized by the Group as working capital.

Save for the issue of the options and the top up placing on 18 September 2007 and 15 October 2007 respectively, there are no other fund raising activities of the Company within the preceding 12 months.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 20 August 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 20 August 2008.

DEFINITIONS

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

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“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 Subscription pursuant to the terms of the Subscription Agreement
“Condition”	the condition of the Subscription Agreement, details of which are set out in the section headed “Condition of the Subscription” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at its annual general meeting held on 28 September 2007
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	19 August 2008, being the last trading day and the date of the Subscription Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Gu”	Mr. Gu Zhi Hao, the 100% ultimate beneficiary of Asian Harvest Enterprise Ltd.
“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

“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
“Subscriber”	Asian Harvest Enterprise Ltd., the subscriber of the Subscription Shares under the Subscription Agreement, a third party independent of the Company and its connected persons
“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 19 August 2008 between the Company and the Subscriber
“Subscription Price”	HK\$0.8 per Subscription Share
“Subscription Shares”	30,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
GAY GIANO INTERNATIONAL GROUP LIMITED
Wong Pak Lam, Louis
Chairman

Hong Kong, 20 August 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.