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

**POSSIBLE VERY SUBSTANTIAL ACQUISITION  
AND  
RESUMPTION OF TRADING**

On 28 April 2008, the Company and the Vendor entered into the Heads of Agreement, which is binding on the parties thereto in all respects, for the purpose of setting out the principal terms of the Proposed Acquisition at the Consideration of RMB460 million (which shall be settled by the Company as to RMB25 million by cash as a refundable deposit and part payment of the Consideration upon signing of the Sale and Purchase Agreement and as to RMB435 million by the issue of the Convertible Bonds to the Vendor).

Pursuant to the Heads of Agreement, the Company and the Vendor will enter into the Sale and Purchase Agreement which shall set out all the final terms of the Proposed Acquisition, including the terms of the Convertible Bonds. However, the Sale and Purchase Agreement may or may not be entered into by the Company and the Vendor as envisaged. In addition, completion of the Sale and Purchase Agreement will be subject to a number of conditions. Accordingly, the Proposed Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

The Proposed Acquisition will constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Upon execution of the Sale and Purchase Agreement, the Company will issue a further announcement setting out, inter alia, the terms of the Sale and Purchase Agreement and the information on the Target Group in accordance with the requirements under the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:42 a.m. on Monday, 28 April 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 9:30 a.m. on 14 May 2008.

## **HEADS OF AGREEMENT**

On 28 April 2008, the Company and the Vendor entered into the Heads of Agreement, which is binding on the parties thereto in all respects, for the purpose of setting out the principal terms of the proposed acquisition by the Company from the Vendor of (i) 100% shareholding interest in Million Alliance, and (ii) 0.01% shareholding interest in Equity Holdings at the Consideration of RMB460 million (which shall be settled by the Company as to RMB25 million by cash as a refundable deposit and part payment of the Consideration upon signing of the Sale and Purchase Agreement and as to RMB435 million by the issue of the Convertible Bonds to the Vendor). Pursuant to the Heads of Agreement, the Company and the Vendor will enter into the Sale and Purchase Agreement which shall set out the final terms of the Proposed Acquisition, including the terms of the Convertible Bonds.

### **The Proposed Acquisition**

Under the Proposed Acquisition, the Company will acquire from the Vendor (i) 100% shareholding interest in Million Alliance, and (ii) 0.01% shareholding interest in Equity Holdings.

Million Alliance is the ultimate holding company of the Target Group (including Equity Holdings) which is principally engaged in (i) development and operation of highways in the PRC; and (ii) property investment in the PRC. Based on the preliminary information provided to the Group by the Vendor, the Target Group holds majority interests in four toll highway projects in the PRC and certain commercial investment properties in the PRC. With regard to the four toll highway projects, (i) two toll highways, namely the Ganyi Highway and the Ganru Highway, have commenced operation since 2004; (ii) one toll highway, namely PingHong Highway, is under construction; and (iii) the construction of the last toll road, namely AiRui Highway, has not commenced yet.

The Proposed Acquisition will constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Upon execution of the Sale and Purchase Agreement, the Company will issue further announcement setting out, inter alia, the terms of the Sale and Purchase Agreement and the information on the Target Group in accordance with the requirements under the Listing Rules.

The Sale and Purchase Agreement may or may not be entered into by the Company and the Vendor. In addition, completion of the Sale and Purchase Agreement will be subject to a number of conditions. Accordingly, the Proposed Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

### **Consideration**

The Consideration for the Proposed Acquisition is RMB460 million, which will be satisfied by the Group in the following manner:

- i. RMB25 million in cash which will be paid by the Group to the Vendor as a refundable deposit and part payment of the Consideration upon signing of the Sale and Purchase Agreement; and
- ii. the balance of RMB435 million will be settled by the issue of the Convertible Bonds by the Company to the Vendor.

## Conditions precedent

According to the Heads of Agreement, completion of the Sale and Purchase Agreement to be entered into by the Company and the Vendor shall be conditional upon fulfillment of the following conditions:

- (i) the Company having been satisfied with the financial and legal due diligence on the Vendor and the Target Group;
- (ii) the Vendor having been able to help the Company to raise at least RMB150 million from independent third party(ies);
- (iii) before the completion of the Sale and Purchase Agreement there having been no adverse changes of the laws and rules of the PRC which may affect or restrict the ownership and operation of any company within the Target Group by foreign entities;
- (iv) at the completion of the Sale and Purchase Agreement there having no material changes in respect of the operation and development of any company within the Target Group which will affect the interests of the Company as purchaser after the completion of the Sale and Purchase Agreement;
- (v) the Vendor having delivered to the Company the corporate records, minutes book, share certificates, seal and any other corporate records relating to the Target Group and any and all records relating to the Target Group or its business whatsoever which are in the Vendor's possession;
- (vi) the Vendor having delivered to the Company resignation letters in his capacity as an officer and director of the companies within the Target Group and having delivered resignation letters of any of his nominees; and
- (vii) the Proposed Acquisition having been approved by the Stock Exchange and the Shareholders at a general meeting of the Company.

With reference to condition (ii) above, the fund raising activities may be carried out by ways of issue by the Company of Shares and/or convertible securities, loans to the Group, etc. and no decisions in relation thereto as well as the application of the funds to be raised have been made.

## THE CONVERTIBLE BONDS

As set out in the Heads of Agreement, part of the Consideration in the amount of RMB435 million will be settled by the Company by issuing the Convertible Bonds to the Vendor. The proposed principal terms of the Convertible Bonds are as follows:

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| Aggregate principal amount | RMB435,000,000 or US\$62,142,857 (at the exchange rate of US\$1 to RMB7) |
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| Terms | 3 years from the date of issue of the Convertible Bonds |
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| Face Value       | US\$100,000 per Convertible Bond with the balance of US\$42,857 to be in one bond certificate   |
| Interest Rate    | 2%  |
| Conversion       | A maximum \$500,000 for each call within 21 day-interval  |
| Conversion price | HK\$1.27305, which was agreed upon by the Company and the Vendor at a premium of 2.5% over the average of the closing prices per Share of HK\$1.242 for the ten trading days up to and including 25 April 2008, being the last trading day immediately prior to the suspension of trading of Shares on 28 April 2008, and representing (i) a discount of approximately 23.31% to the closing price of HK\$1.66 per Share on 25 April 2008; (ii) a discount of approximately 8.41% to the average of the closing prices per Share for the five trading days up to and including 25 April 2008, being HK\$1.39 per Share; (iii) a premium of approximately 2.5% over the average of the closing prices per Share for the ten trading days up to and including 25 April 2008, being HK\$1.242 per Share; and (iv) a premium of approximately 23.24% over the average of the closing prices per Share for the thirty trading days up to and including 25 April 2008, being HK\$1.033 per Share. |
| Lock up period   | Six months from the date of issue of the Convertible Bonds  |
| Transferability  | The Convertible Bonds will be freely transferable after the lock up period but may not be transferred or assigned to a connected person (as defined under the Listing Rules) of the Company   |
| 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 holder of the Convertible Bonds, together with the parties acting in concert (has the meaning as ascribed thereto under the Hong Kong Code on Takeovers and Mergers) with it shall not hold more than the total holding of the major Shareholder ( <i>note</i> ) or 30% of the total issued and outstanding Shares  |
|                  | <i>Note:</i> “major Shareholder” shall refer to the existing controlling Shareholder, i.e. Ti Yu Investments Limited.   |

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:42 a.m. on Monday, 28 April 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 9:30 a.m. on 14 May 2008.

## DEFINITIONS

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

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| “AiRui Highway”      | a 31-kilometer highway to be built from Ailing City at the border of Jiangxi Province and Fujian Province, the PRC to Ruijin City of Jiangxi Province, the PRC  |
| “Board”              | the board of Directors  |
| “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 of Hong Kong Limited   |
| “Consideration”      | the total consideration of RMB460 million payable by the Company to the Vendor for the Proposed Acquisition, the particulars of which are set out in the paragraph headed “Consideration” of the section headed “The Heads of Agreement” of this announcement |
| “Convertible Bonds”  | the convertible bonds in the total principal amount of RMB435 million to be issued by the Company to the Vendor upon completion of the Sale and Purchase Agreement 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 the Vendor   |
| “Ganrun Highway”     | a 28.1-kilometer toll highway from the end of Ganyi Highway to Zhongcunao, border of Jiangxi Province and Guangdong Province, the PRC   |
| “Ganyi Highway”      | a 27.8-kilometer toll highway from Liren to Nanhang in Longnan County of Jiangxi Province, the PRC  |
| “Group”              | the Company and its subsidiaries  |
| “Heads of Agreement” | the heads of agreement dated 28 April 2008 entered into between the Company and the Vendor setting out the principal terms of the Proposed Acquisition  |
| “Hong Kong”          | the Hong Kong Special Administrative Region of the PRC  |
| “Listing Rules”      | Rules Governing the Listing of Securities on the Stock Exchange   |
| “Million Alliance”   | Million Alliance International Limited, a company incorporated in the British Virgin Islands which is solely owned by the Vendor  |

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| “PingHong Highway”            | a 34.4-kilometer toll highway to be built from Pingxian City to Hongkoujie at the border of Hunan, the PRC   |
| “PRC”                         | the Peoples’ Republic of China   |
| “Proposed Acquisition”        | the proposed acquisition by the Company of (i) 100% shareholding interest in Million Alliance, and (ii) 0.01% shareholding interest in Equity Holdings   |
| “Sale and Purchase Agreement” | the sale and purchase agreement to be entered into by the Company and the Vendor to set out the final terms of the Proposed Acquisition based on the principal terms set out in the Heads of Agreement |
| “Share(s)”                    | share(s) of HK\$0.10 each in the issued share capital of the Company   |
| “Shareholders”                | shareholders of the Company  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited  |
| “Target Group”                | Million Alliance and its subsidiaries  |
| “Vendor”                      | Mr. Huang Guo Dong, an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates         |
| “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  |
| “%”                           | per cent   |

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

Hong Kong, 13 May 2008

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