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## IMPORTANT

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**If you are in doubt** about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 circular with the enclosed form of proxy to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



### **GAY GIANO INTERNATIONAL GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 686)**

**GENERAL MANDATES TO REPURCHASE SHARES  
AND ISSUE SHARES,  
RE-ELECTION OF RETIRING DIRECTORS,  
AMENDMENTS TO THE BYE-LAWS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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Resolutions will be proposed at the annual general meeting of the Company to be held at the Company's Conference Room at Suites 701-702, 7th Floor, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong on Monday, September 25, 2006 at 9:00 a.m. to approve the matters referred to in this circular. If you are unable to attend the annual general meeting in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

July 28, 2006

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meaning:*

“2006 Annual Report”	the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended March 31, 2006;
“AGM”	the annual general meeting of the Company to be held at the Company’s Conference Room at Suites 701-702, 7th Floor, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong on Monday, September 25, 2006 at 9:00 a.m. at which the 2006 Annual Report will be adopted;
“Bye-Laws”	the existing Bye-Laws of the Company;
“Company”	Gay Giano International Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Issue Mandate”	the general mandate to allot, issue and deal with Shares not exceeding 20 per cent. of the issued share capital of the Company as at the date of passing of the resolution approving the Issue Mandate;
“Latest Practicable Date”	July 25, 2006, being the latest practicable date prior to the printing of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the resolution approving the Repurchase Mandate;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);

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## DEFINITIONS

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“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holders of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchases approved by the Securities and Futures Commission as amended from time to time.

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LETTER FROM THE BOARD

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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

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

To Ming Oi Wendy

*Principal Office:*

Suites 701-702, 7th Floor  
Grandtech Centre  
8 On Ping Street  
Siu Lek Yuen, Shatin  
New Territories  
Hong Kong

*Independent Non-executive Directors:*

Chan Ka Ling Edmond  
Ching Kwok Ho Samuel  
Lo Wa Kei Roy

July 28, 2006

*To the Shareholders*

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE SHARES  
AND ISSUE SHARES,  
RE-ELECTION OF RETIRING DIRECTORS,  
AMENDMENTS TO THE BYE-LAWS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

It is proposed that at the AGM of the Company for the year ended March 31, 2006, ordinary resolutions will be proposed to grant to the Directors general mandates to repurchase and issue Shares, extend general mandate to issue Shares, to re-elect retiring Directors and a special resolution will be proposed to amend the Bye-Laws. This circular contains the explanatory statement in compliance with the Listing Rules and gives all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against these resolutions.

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## LETTER FROM THE BOARD

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### **GENERAL MANDATE TO REPURCHASE SHARES**

At the AGM, an ordinary resolution will be proposed to grant the Repurchase Mandate to the Directors to enable them to repurchase issued and fully paid Shares subject to the criteria set out in this circular. Shareholders should note that the maximum number of Shares that may be repurchased up to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of such resolution. The Repurchase Mandate to repurchase Shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by law and the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

### **GENERAL MANDATE TO ISSUE SHARES**

At the AGM, an ordinary resolution will be proposed to grant the Issue Mandate to the Directors to allot, issue and deal with, otherwise than by way of rights or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company or any shares of the Company issued as scrip dividends pursuant to the Bye-Laws of the Company. Shares with an aggregate nominal value not exceeding 20 per cent. of the aggregate of the total nominal value of the share capital of the Company in issue on the date of the resolution approving the Issue Mandate. The Issue Mandate to issue Shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by law and the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

### **EXTEND GENERAL MANDATE TO ISSUE SHARES**

At the AGM, an ordinary resolution will be proposed to extend the Issue Mandate by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount will not exceed 10 per cent. of the aggregate of the total nominal value of the issued share capital of the Company in issue on the date of the resolution approving the Issue Mandate.

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## LETTER FROM THE BOARD

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### RE-ELECTION OF RETIRING DIRECTORS

In relation to ordinary resolution number 2 in the notice of the AGM regarding the re-election of retiring Directors, Ms. Yung Wing Sze Vivian (“Ms. Yung”) shall retire at the AGM by rotation pursuant to Bye-law 111, and, being eligible, will offer herself for re-election. Biographical details of Ms. Yung are as follows:

**Ms. Yung**, aged 30, is an Executive Director of the Company and is responsible for the Group’s overall strategic management and business development. She holds a bachelor’s degree and a master’s degree in Commerce from University of New South Wales. Ms. Yung joined the Group in 2000.

Ms. Yung is the niece of Ms. Cheung Yin Sheung Subraina, the Chairman of the Company, (“Ms. Cheung”), Mr. Tong Kwong Fat, the executive Director and chief executive officer of the Company and also the spouse of Ms. Cheung, (“Mr. Tong”), Ms. To Ming Oi Wendy, the Non-executive Director, Mr. Cheung Sing Chi, a substantial shareholder of the Company within the meaning of Part XV of the SFO and the senior management of the Company, (“Mr. Cheung”) and Mr. Cheung For Sang, the elder brother of Ms. Cheung and a senior management of the Company. Save as disclosed above, Ms. Yung does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. Ms. Yung did not hold other directorship in any public listed companies in the last three years and she does not hold any other position in the Group.

There is no service contract entered into between the Company and Ms. Yung and she is not appointed for a specific term but she is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-Laws of the Company. As at the Latest Practicable Date, Ms. Yung is entitled to a monthly salary of HK\$52,800 with 13th month bonus and discretionary bonus subject to the operating results of the Group and discretion from the Board, which are determined by reference to her duties and responsibilities with the Company.

Within the meaning of Part XV of the SFO, Ms. Yung is interested in 1,170,000 underlying Shares which are the share options granted to her by the Company under the Share Option Scheme adopted on March 14, 2000. Save as disclosed above, Ms. Yung does not have any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

In relation to ordinary resolution number 2 in the notice of the AGM regarding the re-election of retiring Directors, Ms. To Ming Oi Wendy (“Ms. To”) and Mr. Ching Kwok Ho Samuel (Mr. Ching”), who were appointed with effect from January 1, 2006 and May 1, 2006

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## LETTER FROM THE BOARD

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respectively, shall hold office only until the forthcoming AGM and shall then be eligible for re-election at the AGM pursuant to Bye-law 115 and, being eligible, will offer themselves for re-election. Biographical details of the Ms. To and Mr. Ching are as follows:

**Ms. To**, aged 43, is a Non-executive Director of the Company. Ms. To has over 10 years of working experience in merchandising and retail management.

Ms. To is the spouse of Mr. Cheung, who is also the younger brother of Ms. Cheung. Therefore, Ms. To is the sister-in-law of Ms. Cheung, Mr. Tong and Mr. Cheung For Sang and she is also the aunt of Ms. Yung. Save as disclosed above, Ms. To does not have any relationship with any Director, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. Ms. To did not hold other directorship in any public listed companies in the last three years and she does not hold any other position in the Group.

There is a service contract entered into between the Company and Ms. To for a term of 1 year commencing from January 1, 2006, and will continue thereafter until terminated by not less than one months' notice in writing served by either party to the other. According to the terms of the service contract, Ms. To is entitled to a monthly salary of HK\$20,000 without any bonus payment, which is determined by reference to her duties and responsibilities with the Company. Ms. To is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-Laws of the Company.

Within the meaning of Part XV of the SFO, Ms. To is deemed to be interested in 120,000,000 ordinary shares of the Company which are held by Gay Giano (BVI) Group Limited, 72.5% of its shares held by Mr. Cheung and she is also deemed to be interested in 3,000,000 underlying Shares which are the share options granted to Mr. Cheung by the Company under the Share Option Scheme adopted on March 14, 2000. Save as disclosed above, Ms. To does not have any interest or short position in Shares, underlying Shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

**Mr. Ching**, aged 49, is an Independent Non-executive Director of the Company. Mr. Ching is a practising solicitor in Hong Kong. He graduated from the University of Hong Kong with a bachelor of laws degree and a postgraduate certificate in laws. Mr. Ching is currently one of the partners of King & Company in Hong Kong. He has over 20 years of legal experience in banking and finance, liquidation, tenancy, conveyancing, commercial disputes and civil litigation in Hong Kong.

Mr. Ching does not have any relationship with any Director, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. Save as Mr. Ching currently being an independent non-executive director of Tack Fat Group International Limited, a company listed on the Main Board of the Stock Exchange, Mr. Ching did not hold other directorship in any public listed company in the past three years and he does not hold any other position in the Group.



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## LETTER FROM THE BOARD

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There is a service contract entered into between the Company and Mr. Ching for a term of 1 year commencing from May 1, 2006 and will continue thereafter until terminated by not less than one months' notice in writing served by either party to the other. Accordingly to the terms of the service contract, Mr. Ching is entitled to HK\$72,000 per annum without any bonus payment, which is determined by reference to his duties and responsibilities with the Company. Mr. Ching is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-Laws of the Company.

Within the meaning of Part XV of the SFO, Mr. Ching is not interested in any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

Saved as disclosed above, there are no other matters in relation to the afore-proposed re-elections that needed to be brought to the attention of the Stock Exchange or the Shareholders. There is no information relating to all the above retiring Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) - (v) of the Listing Rules.

### AMENDMENTS TO THE BYE-LAWS

To enhance good corporate governance practices and to bring the Bye-Laws up to date with the Code on Corporate Governance Practices and the latest amendments to the Listing Rules relating to the contents of the constitutional documents which came into effect on March 1, 2006, a special resolution will be proposed at the AGM to amend the Bye-Laws as follows:

- (a) to effect voting by way of a poll at general meetings of the Company as required by the Listing Rules;
- (b) to inform Shareholders of the procedure for voting by poll;
- (c) to disclose the voting figures on a poll if required by the Listing Rules;
- (d) to provide that a matter should not be dealt with by way of circulation of Board resolutions but a Board meeting should be held instead where a substantial shareholder or a director has a conflict of interest in the matter under consideration and which the Board has determined to be material;
- (e) to require the chairman of the Board and/or the managing director of the Company to be subject to retirement by rotation and to specify that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years;
- (f) to require that all Directors appointed to fill a casual vacancy to be subject to election by Shareholders at the first general meeting after their appointment; and
- (g) to remove directors at any general meeting by ordinary resolution at any time before the expiration of his period of office.

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## LETTER FROM THE BOARD

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The proposed amendments to the Bye-Laws are subject to the approval of the Shareholders by way of a special resolution to be proposed at the AGM. Apart from the proposed amendments, all existing provisions in the Bye-Laws shall remain the same. A full text of the proposed amendments to the Bye-Laws is set out as a special resolution in the notice of the AGM on pages 13 to 18 of this circular.

### **ANNUAL GENERAL MEETING**

A notice convening the AGM is set out on pages 13 to 18 of this circular, at which resolutions will be proposed to approve, inter alia, the granting of the Repurchase Mandate and Issue Mandate and the extension of the Issue Mandate by the addition thereto of the number of Shares repurchased pursuant to the Repurchase Mandate and the re-election of retiring Directors and the amendments to the Bye-Laws.

A form of proxy for use at the AGM is enclosed in this circular and such form of proxy is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited of 311-312 Two Exchange Square, Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting. The completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the meeting or any adjournment thereof should you so wish.

### **PROCEDURES BY WHICH A POLL MAY BE DEMANDED**

Pursuant to Bye-law 73, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or (iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

As far as the Board can determine, there is no Shareholder who are required to be abstained from voting under the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the Repurchase Mandate, the Issue Mandate, the extension of the Issue Mandate, re-election of retiring Directors and the amendments to the Bye-Laws are in the best interests of the Company and its Shareholders so recommend you to vote in favour of the resolutions at the forthcoming AGM. The Directors will vote all their shareholdings in favour of the resolutions.

By Order of the Board  
**Cheung Yin Sheung Subraina**  
*Chairman*

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## **EXPLANATORY STATEMENT OF THE SHARE REPURCHASE MANDATE**

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*The following explanatory statement given to all Shareholders relating to a resolution to be proposed at the forthcoming AGM authorising the Repurchase Mandate.*

### **1. EXERCISE OF THE REPURCHASE MANDATE**

Exercise in full of the Repurchase Mandate, on the basis of 200,130,000 Shares in issue as at the Latest Practicable Date, could accordingly result in up to 20,013,000 Shares being repurchased by the Company during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

### **2. REASONS FOR REPURCHASES**

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net assets value per Share and/or earnings per Share.

### **3. FUNDING OF REPURCHASES**

The Company is empowered by its memorandum of association and Bye-Laws to purchase its Shares. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of the fund of the Company that would otherwise be legally available for dividend or distribution or out of the share premium accounts of the Company for such purpose under the laws of Bermuda. Under Bermuda law, the shares so repurchased will be treated as cancelled but the aggregate amount of authorized share capital will not be reduced so that the shares may be subsequently re-issued.

### **4. IMPACT ON WORKING CAPITAL OR GEARING LEVEL**

As compared with the financial position of the Company as at March 31, 2006 (being the date of its latest audited financial statements), the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

**5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) of any of the Directors has any present intention, in the event that the proposal is approved by Shareholders, to sell Shares to the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

**6. UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed resolution in accordance with the Listing Rules and all applicable laws of Bermuda, and in accordance with the regulations set out in the memorandum of association and Bye-Laws of the Company.

**7. EFFECT OF TAKEOVERS CODE**

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Gay Giano (BVI) Group Limited (72.5 per cent. is owned by Mr. Cheung, 12.5 per cent. is owned by each of Ms. Cheung and Ms. Cheung Yin Fong and the remaining 2.5 per cent. is owned by Mr. Tong) and K & E Industries Limited (99.9 per cent. is owned by Mr. Chuang Tsoi Hung) who held approximately 60 per cent. and 15 per cent. respectively of the issued share capital of the Company, were the only two substantial Shareholders holding more than 5 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholdings of Gay Giano (BVI) Group Limited and K & E Industries Limited in the Company would be increased to approximately 67 per cent. and 17 per cent. of the issued share capital of the Company respectively and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. The Company may not purchase Shares on the Stock Exchange if that purchase would result in the number of Shares which are in the hands of the public falling below 25 per cent. of the Company's issued share capital.

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## EXPLANATORY STATEMENT OF THE SHARE REPURCHASE MANDATE

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### 8. SHARE PURCHASE MADE BY THE COMPANY

During each of six months preceding the Latest Practicable Date, no Shares have been repurchased by the Company.

### 9. SHARE PRICES

During the previous twelve months before the Latest Practicable Date, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Months	Price Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2005</b>		
July	0.3400	0.2650
August	0.3200	0.2400
September	0.3200	0.2350
October	0.2550	0.1900
November	0.1950	0.1800
December	0.1900	0.1510
<b>2006</b>		
January	0.1800	0.1500
February	0.1930	0.1700
March	0.1900	0.1510
April	0.2100	0.1600
May	0.1790	0.1500
June	0.1550	0.1370
July (up to the Latest Practicable Date)	0.1620	0.1240

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## NOTICE OF ANNUAL GENERAL MEETING

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### **GAY GIANO INTERNATIONAL GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 686)**

#### **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Gay Giano International Group Limited (the “Company”) will be held at the Company’s Conference Room at Suites 701-702, 7th Floor, Grandtech Centre, 8 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong on Monday, September 25, 2006 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended March 31, 2006;
2. To re-elect Directors and to authorize the board of directors to fix their remuneration;
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

As special businesses, to consider, and if thought fit, pass the following ordinary resolutions:

#### **ORDINARY RESOLUTIONS**

4. **“THAT**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of

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## NOTICE OF ANNUAL GENERAL MEETING

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the subscription rights under the share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the Bye-Laws of the Company from time to time shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws of the Bermuda to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares or an offer of warrants, options or other securities giving right to subscribe for shares, open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company).”

### 5. “**THAT**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (*as hereinafter defined*) of all powers of the Company to purchase shares in the capital of the Company (“Shares”), subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and



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## NOTICE OF ANNUAL GENERAL MEETING

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(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws of the Bermuda to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

6. **“THAT**

conditional upon resolution nos. 4 and 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4 above.”

### SPECIAL RESOLUTION

7. **“THAT** the Bye-laws of the Company (the “Bye-law(s)”) be and are hereby amended in the following manner:

**1. Bye-law 73**

- (i) by inserting the following words immediately after the words “on a show of hands unless” in the 2nd line of the existing Bye-law 73:

“voting by way of a poll is required by the Listing Rules or”;

- (ii) by deleting the full-stop at the end of the existing Bye-law 73(iv) and substituting therefor a semicolon and the word “or”; and

- (iii) by inserting the following new Bye-law 73(v) immediately after the existing Bye-law 73(iv):

“(v) if required by the Listing Rules, by the Chairman of such meeting and/or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.”

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## NOTICE OF ANNUAL GENERAL MEETING

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### 2. **Bye-law 74**

by deleting the words “Unless a poll be so demanded and not withdrawn,” at the first line of the existing Bye-law 74, and substituting therefor the following wordings:

“Unless a poll is so required or demanded and, in the latter case, not withdrawn, (i) the Chairman of the meeting should indicate to the meeting of the Company the level of proxies lodged on each resolution and the balance for and against the resolution, after it has been dealt with on a show of hands; and (ii)”

### 3. **Bye-law 75**

by inserting the following sentence immediately after the last sentence of the existing Bye-law 75:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the Listing Rules.”

### 4. **Bye-law 108(vii)**

by deleting the word “Special” immediately before the words “Resolution of the Company under Bye-law 117.” in Bye-law 108(vii) and substituting the word “Ordinary” therefor.

### 5. **Bye-law 110**

by inserting the following new Bye-law 110(N) immediately after the existing Bye-law 110(M):

“(N) Where a substantial shareholder (within the meaning of the Listing Rules) or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should not be dealt with by way of circulation of board resolutions pursuant to this Bye-law or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held with the presence of the independent non-executive Directors who, and whose associates, have no material interest in the transaction.”

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## NOTICE OF ANNUAL GENERAL MEETING

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### 6. **Bye-law 111(A)**

by deleting the existing Bye-law 111(A) in its entirety and substituting therefor the following new Bye-law 111(A):

“At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.”

### 7. **Bye-law 115**

by deleting the last sentence of Bye-law 115 in its entirety and substituting therefor the following:

“Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting but in the case of a retirement and re-election of such Director(s) at an annual general meeting, such Director(s) shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such annual general meeting.”

### 8. **Bye-law 117**

by deleting the word “Special” immediately before the words “Resolution remove any Director (including a managing director or other executive director) before the expiration of his period of office” in Bye-law 117 and substituting the word “Ordinary” therefor.”

Yours faithfully,

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

Hong Kong, July 28, 2006

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## NOTICE OF ANNUAL GENERAL MEETING

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*Principal Office:*

Suites 701-702, 7th Floor  
Grandtech Centre  
8 On Ping Street  
Siu Lek Yuen, Shatin  
New Territories  
Hong Kong

*Notes:*

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited of 311-312 Two Exchange Square, Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) Completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish
- (3) The Register of Members of the Company will be closed from September 21, 2006 to September 25, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited of 311-312 Two Exchange Square, Central, Hong Kong for registration not later than 4:00 p.m. on September 20, 2006.