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

**PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES  
AND  
RESUMPTION OF TRADING**

**Placing Agent**



On 15th October 2007, the Placing Agreement was entered into between the Vendor and the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 10,000,000 Placing Shares held by the Vendor to Independent Third Party at HK\$ 2.34 per Placing Share. The gross proceeds amount to HK\$23,400,000. After deducting the costs and expenses in connection with the Placing, the total funds to be raised amount to HK\$23,100,000 and the net price per Placing Share is approximately HK\$2.31.

On 15th October 2007, the Subscription Agreement was entered into between the Vendor and the Company, pursuant to which the Company has conditionally agreed to allot and issue the Subscription Shares (the number of which is equivalent to the Placing Shares actually sold by the Vendor under the Placing) to the Vendor at HK\$2.34 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed “**Conditions of the Subscription**”.

The price per Placing Share represents (i) a discount of approximately 3.7% to the closing price of HK\$2.43 per Share as quoted on the Stock Exchange at 4:00 p.m. on 12th October 2007, being the last trading day immediately prior to the date of this announcement, and (ii) a discount of approximately 8.59% to the average closing price of approximately HK\$2.56 per Share as quoted on the Stock Exchange for the last five trading days up to and including 12th October 2007, being the last trading day prior to the date of this announcement.

The Placing Shares represent approximately 4.79% of the existing issued share capital of the Company and approximately 4.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Assuming that the Placing Shares are fully placed under the Placing, the Placing will reduce the shareholding of the Vendor from about 57.46% to approximately 52.67% of the existing issued share capital of the Company.

Assuming that the Placing Shares are fully placed under the Placing, the Subscription will then increase the shareholding of the Vendor to approximately 54.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 28th September 2007.

Assuming that the Placing Shares are fully placed under the Placing, the gross proceeds amount to HK\$23,400,000 and the net proceeds from the Subscription will amount to approximately HK\$23,100,000 and the net price per Subscription Shares will be approximately HK\$2.31. The Company intends to use 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 when the Board considers appropriate and in the interests of the Company and the Shareholders and as general working capital of the Group.

Further announcement on the number of the Placing Shares actually placed will be made by the Company after completion of the Placing and the Subscription.

Trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 15th October 2007 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 16th October 2007.

## **PLACING AGREEMENT**

### **Date of Agreement:**

15th October 2007

### **Vendor:**

The Vendor, a corporation registered in the British Virgin Islands and is a substantial shareholder of the Company, holding 120,004,000 Shares, representing approximately 57.46% of the existing issued share capital of the Company as at the date of this announcement.

### **Number of Placing Shares:**

The Placing Agent has agreed to procure, on a best effort basis, placee for the purchase of up to 10,000,000 Shares owned by the Vendor, representing approximately 4.79% of the issued share capital of the Company as at the date of this announcement or approximately 4.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription, assuming the Placing Shares are fully placed under the Placing.

Further announcement on the number of the Placing Shares actually placed will be made by the Company after completion of the Placing and the Subscription.

**Placee:**

It is expected that the Placing Shares will be placed to Evolution Master Fund, an institutional and professional investor who is an Independent Third Party. The Placee is a discretionary fund and the Fund Manager is Evolution Capital Management LLC who is an Independent Third Party.

Before the Placement, Evolution Master Fund has no interests in the Company.

After the Placement, Evolution Master Fund will hold 10,000,000 Shares, representing 4.79% of the existing share capital of the Company.

Evolution Master Fund intended to be a passive investor.

**Placing price:**

HK\$2.34 per Placing Share.

This price was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to recent market prices of the Shares. This price represents:—

- (i) a discount of approximately 3.7% to the closing price of HK\$2.43 per Share at 4:00 p.m. on 12th October 2007, being the last trading day immediately prior to this announcement; and
- (ii) a discount of approximately 8.59% to the average closing price of approximately HK\$2.56 per Share as quoted on the Stock Exchange from 8th October 2007 to 12th October 2007, both dates inclusive, being the last five trading days immediately prior to the date of this announcement.

The Directors consider that the above discounts are fair and reasonable taking into consideration the total number of Shares to be placed and the current investment environment in the Hong Kong stock market.

After deducting the costs and expenses in connection with the Placing, the net proceeds is approximately HK\$23,100,000 and the net price per Placing Share is HK\$2.31.

**Placing Agent:**

DBS Asia Capital Limited

**Independence of placee and placing agent:**

The placee and (where applicable) its ultimate beneficial owners will be, and the Placing Agent and its beneficial owners are, independent of and not connected with the Vendor. The placee and the Placing Agent and its beneficial owners are independent Third Parties.

**Completion of the Placing:**

Under the Placing Agreement, the Placing is agreed to be completed on or before 5:00 p.m. on the Closing Date or such other date and time as may be agreed between the Vendor and the Placing Agent.

**Rights of the Placing Shares:**

The Placing Shares will be sold by the Vendor free from all liens, charges, encumbrances, claims, options or other third party rights and together with all rights attaching to the Placing Shares as at the date of the Placing Agreement, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Placing Shares if the record date shall fall on or after the date of the Placing Agreement.

**SUBSCRIPTION AGREEMENT****Date of Agreement:**

15th October 2007

**Subscriber:**

The Vendor

**Number of Subscription Shares:**

The Company will allot and issue and the Vendor will subscribe for up to 10,000,000 Shares, the number of which is equivalent to the number of the Placing Shares actually placed under the Placing, which represents approximately 4.79% of the issued share capital of the Company as at the date of this announcement or approximately 4.57% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares assuming the Placing Shares are fully placed under the Placing.

**Subscription price:**

HK\$2.34 per Subscription Share, which is the equivalent of the price per Placing Share.

**Mandate to allot and issue new Shares:**

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 28th September 2007. The Company is authorised to issue 41,768,000 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription.

**Ranking:**

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of the Subscription Shares.

### Conditions of the Subscription:

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Subscription Shares; and
- (ii) completion of the Placing pursuant to the Placing Agreement.

None of the above conditions can be waived by the parties to the Subscription Agreement.

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor will decrease from approximately 57.46% to approximately 52.67% immediately after completion of the Placing and will increase back to approximately 54.84% immediately after completion of the Subscription.

### Completion of the Subscription:

Completion of the Subscription will take place on the second business day following the day on which the last of the conditions referred to above are fulfilled.

If the conditions to the Subscription are not fulfilled on or before 29th October 2007, the date which is 14 days after the date of the Placing Agreement (or such later date, subject to the approval of the Stock Exchange, as may be agreed by the parties), the Subscription will lapse. If the date of completion of the Subscription is to be extended beyond 29th October 2007, the Subscription will constitute a connected transaction under the Listing Rules which will require the approval of the independent Shareholders and the Company will take steps to ensure compliance with the Listing Rules. Further announcement will be made as and when appropriate.

### CHANGES TO THE SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor in the Company immediately before the Placing, immediately after the Placing but before the Subscription, and immediately after the Placing and the Subscription are as follows:

	Existing Shareholding		After the Placing but before the Subscription		After the Placing and the Subscription	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
<b>The Vendor</b>	120,004,000	57.46	110,004,000	52.67	120,004,000	54.84
<b>Placee</b>	—	—	10,000,000	4.79	10,000,000	4.57
<b>Public</b>	88,836,000	42.54	88,836,000	42.54	88,836,000	40.59
<b>Total</b>	<u>208,840,000</u>	<u>100</u>	<u>208,840,000</u>	<u>100</u>	<u>218,840,000</u>	<u>100</u>

*Notes:*

1. The number of existing Shares held by the Shareholders is based on the register of members of the Company as at 12th October 2007.
2. Since the Vendor has continuously held more than 50% of the Shares since the date of the last General Offer preceding the Placing and the Subscription, a waiver from the obligation to make a general offer under Rule 26 of the Code on Takeovers and Mergers is not required pursuant to Note 6 on dispensations from the said Rule 26.

## **REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

On the 18th September 2007, the Company announced that it has granted Options to certain individual Placees for the purpose of raising additional capital for the Company. The Options are granted for a period of 18 months and up to the date of this announcement, none of the Options have yet been exercised. The Directors consider that it is in the interests of the Company to raise further capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

Assuming that the Placing Shares are fully placed under the Placing, the net proceeds, after deducting related placing commission, professional fees and all related expenses which will be borne by the Company, under the Subscription are estimated to be approximately HK\$23,100,000 and the net price per Subscription Share is approximately HK\$2.31. The Company intends to use 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 when the Board considers appropriate and in the interests of the company and the Shareholders and as general working capital of the Group. As at the date of the announcement, the Company has identified certain mining and exploration projects in the People's Republic of China and a Memorandum of Understanding has been signed on the 8th October 2007. Particulars of the MOU was disclosed in the announcement dated 9th October 2007.

## **GENERAL INFORMATION**

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

On the 18th September 2007, the Company announced that it has placed Options exercisable within a period of 18 months to certain individual placees to subscribe for new shares of the Company. The gross proceeds and the net proceeds of all subscription rights under the Options are 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.

Save for the issue of the Options on 18th September 2007, there is no other fund raising activities of the Company within the preceding 12 months.

## **APPLICATION FOR LISTING**

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

## **RESUMPTION OF TRADING IN SHARES**

Trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 15th October 2007 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 16 October 2007.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Closing Date”	18th October 2007, the date on which completion of the Placing will take place, being the second business day after the first day of trading in the Shares after the date of the Placing Agreement
“Company”	Gay Giano International Group Limited, the Shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	the counterparties and the ultimate beneficial owner of the counterparty who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, and third parties independent of the Company and connected persons of the Company as defined in the Listing Rules
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement



“Placing Agent”	DBS Asia Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance)
“Placing Shares”	up to a total of 10,000,000 Shares beneficially owned by the Vendor to be placed pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 15th October 2007 between the Vendor and the Placing Agent
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 15th October 2007 between the Vendor and the Company
“Subscription Shares”	up to a total of 10,000,000 new Shares, being the number of Shares actually placed out under the Placing
“Vendor”	Ti Yu Investments Limited, a corporation registered in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Wong Pak Lam, Louis, an executive Director
%	per cent.

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

Hong Kong 15th October 2007

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

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of their statements in this announcement misleading.*