
STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price plus 1.0% brokerage fee, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee make up total price payable in cash on subscription.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (a) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus;
- (b) the Price Determination Agreement having been executed by the Company and the Lead Manager (for itself and on behalf of the Underwriters) and becoming effective on the Price Determination Date; and
- (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Lead Manager (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 July 2011, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse, and thereafter all money received will be refunded to applicants of the Placing without interests and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company on the GEM Website and the Company's website (www.gayety.com.hk) on the next business day following such lapse.

THE PLACING

80,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25% of the enlarged issued share capital of the Company.

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement (including but not limited to the Company and the Company and the Lead Manager (for itself and on behalf of the Underwriters) agreeing on the Placing Price)). Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company, will conditionally place 80,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

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BASIS OF ALLOCATION

Allocation of the Placing Shares to selected individual, professional and institutional investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

PLACING PRICE

The Placing Price will not be more than HK\$1.00 per Placing Share (and not less than HK\$0.60 per Placing Share). Subscribers, when subscribing for the Placing Shares, shall pay the Placing Price plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. Assuming the Placing Price of HK\$1.00 or HK\$0.60 per Share (being the highest and lowest points of indicative Placing Price range respectively), investors shall pay HK\$4,040.32 and HK\$2,424.19 for every board lot of 4,000 Shares, respectively. The Placing Price will be fixed by an agreement expected to be entered into between the Company and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date which is scheduled on or about Tuesday, 5 July 2011 or such later time and/or date as agreed between the Company and the Lead Manager (for itself and on behalf of the Underwriters). If the Company and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between the Company and the Lead Manager (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will lapse. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Placing Price range stated in this prospectus.

If, the Lead Manager (for itself and on behalf of the Underwriters), with the consent of the Company, consider it appropriate (for instance, if based on the level of interest expressed by perspective investors, the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, the Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than the Price Determination Date cause to be published on the GEM Website and the Company's website (www.gayety.com.hk) notice of the reduction of the indicative Placing Price range.

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The indication of level of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM Website and the Company's website (www.gayety.com.hk) at or before 8:30 a.m., Thursday, 7 July 2011.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Division grants the listing of, and permission to deal in, the Shares on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 8 July 2011. Shares will be traded in board lots of 4,000 Shares and are fully transferable.