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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult a 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 Gayety Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading.

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**GAYETY HOLDINGS LIMITED****喜尚控股有限公司***(incorporated in the Cayman Islands with limited liability)***(Stock Code: 8179)****PROPOSED ADOPTION OF SHARE OPTION SCHEME;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an extraordinary general meeting of the Company to be held at 11:00 a.m. on Friday, 9 December 2011 at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong is set out on pages 16 to 17 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong share registrar of the Company, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the extraordinary general meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof should you so wish.

23 November 2011

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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

“Adoption Date”	the date on which the Share Option Scheme becomes unconditional upon fulfillment of the conditions as set out in the paragraph headed “Conditions precedent of the Share Option Scheme” in the section headed “Letter from the Board” of this circular
“associates”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are generally open for normal business
“Company”	Gayety Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m., on Friday, 9 December 2011, at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong or any adjournment thereof the notice of which is set out on page 16 to 17 of this circular
“Eligible Participant(s)”	any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any Subsidiary at the time when an Option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group

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## DEFINITIONS

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“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“GEM Website”	the internet website at <a href="http://www.hkgem.com">www.hkgem.com</a> operated by the Stock Exchange for the purpose of GEM
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	21 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Offer”	an offer for the grant of an Option made in accordance with the Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Participant
“Option(s)”	option(s) granted or to be granted to Eligible Participant(s) to subscribe for Share(s) under the Share Option Scheme
“Optionholder(s)”	holder(s) of the Option(s)
“Option Period”	has the meaning ascribed to it under paragraph (p) of Appendix set out on page 13 of this circular
“Scheme Mandate Limit”	has the meaning ascribed to it under paragraph (d) of Appendix set out on page 9 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme which is proposed to be adopted by the Company at the EGM, the principal terms of which are set out in Appendix to this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as modified from time to time) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### GAYETY HOLDINGS LIMITED

### 喜尚控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

*Executive Directors:*

Mr. Wong Kwan Mo (*Chairman*)

Ms. Lau Lan Ying (*Chief executive officer*)

*Independent non-executive Directors:*

Mr. Yu Ka Ho

Mr. Li Fu Yeung

Ms. Chiu Man Yee

*Registered office:*

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business*

*in Hong Kong:*

Shop 46, Ground Floor

Ho Shun Tai Building

No. 10 Sai Ching Street

Yuen Long

New Territories

Hong Kong

23 November 2011

*To the Shareholders*

Dear Sirs,

**PROPOSED ADOPTION OF SHARE OPTION SCHEME;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the EGM for the approval of the proposed adoption of the Share Option Scheme.

**PROPOSAL FOR ADOPTION OF THE SHARE OPTION SCHEME**

The purpose of the Share Option Scheme is to enable the Company to grant Options to the Eligible Participants who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

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## LETTER FROM THE BOARD

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The rules of the Share Option Scheme provide that the Company may specify the Eligible Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the Share Option Scheme. There is no performance target specified in the Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Participants to acquire proprietary interests in the Company.

Subject to the approval of the Share Option Scheme by the Shareholders, a resolution will be proposed at the EGM for the Board to grant Options under the Share Option Scheme for the subscription of not more than 10% of the entire issued capital of the Company (excluding, for this purpose, Options which have lapsed in accordance with the terms of any other share option scheme of the Group) as at the date of the passing of the relevant resolution.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but not limited to the exercise price, exercise period and lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

With respect to the operation of the Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 23 of the GEM Listing Rules.

### **CONDITIONS PRECEDENT OF THE SHARE OPTION SCHEME**

The adoption of the Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution to adopt the Share Option Scheme by the Shareholders at the EGM; and
- (b) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the Share Option Scheme.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the Share Option Scheme at the EGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme must not in aggregate exceed 10 per cent. of the total issued capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10 per cent. limit on the basis that the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any Options outstanding and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30 per cent. of the issued share capital of the Company from time to time.

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## LETTER FROM THE BOARD

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On the basis of 320,000,000 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased by the Company prior to the EGM, the maximum number of Shares to be issued upon exercise of options under the Share Option Scheme will be 32,000,000, should the Share Option Scheme be adopted.

A summary of the principal terms of the Share Option Scheme which is proposed to be approved and adopted by the Company at the EGM is set out in the Appendix to this circular on pages 8 to 15. A copy of the rules of the Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Shop No. 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong during normal business hours from the date hereof up to and including 23 November 2011.

### EXTRAORDINARY GENERAL MEETING

A notice of the EGM which will be held at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong at 11:00 a.m. on Friday, 9 December 2011 is set out on pages 16 to 17 of this circular. An ordinary resolution will be proposed at the EGM to seek Shareholders' approval to adopt the Share Option Scheme.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete this form of proxy and return it to the share registrar of the Company in Hong Kong, Union Registrar Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in accordance with the instructions printed thereon no later than 48 hours before the time of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM. The Board confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or other arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third part, either generally or on a case-by-case basis.

All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement on the outcome of the EGM for the adoption of the Share Option Scheme will be made by the Company on the business day following the EGM.

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## LETTER FROM THE BOARD

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### APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the Share Option Scheme.

### RECOMMENDATION

The Directors consider that the proposed adoption of the Share Option Scheme is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### GENERAL

Your attention is also drawn to the additional information set out in the appendix to this circular.

The English text of this circular, the notice of the EGM and the form of proxy for use at the EGM shall prevail over the Chinese text in case of inconsistency.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully  
For and on behalf of the Board of  
**GAYETY HOLDINGS LIMITED**  
**Wong Kwan Mo**  
*Chairman and Executive Director*

**SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

**(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable the Company to grant Options to the Eligible Participants who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

**(b) Grant and acceptance of Options**

Subject to the terms of the Share Option Scheme, the Directors may, at their absolute discretion, grant Options to employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any Subsidiary at the time when an Option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (c) below.

An offer of the grant of an Option shall be made to Eligible Participants in writing in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the Share Option Scheme.

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an offer. An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with the said consideration of HK\$1.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on the Stock Exchange or an integral multiple thereof.

**(c) Price of Shares**

The exercise price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of:

- (1) the closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the Offer Date, which must be a Business Day;
- (2) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five Business Days immediately preceding the Offer Date; and
- (3) the nominal value of a Share.

**(d) Maximum number of Shares**

- (i) Subject to (iii) below, the maximum number of Shares which may be issued upon exercise of all Options under the Share Option Scheme shall not, when aggregated with any Shares subject to any other schemes, exceed such number of Shares as representing 10 per cent. of the issued Shares as at the Adoption Date (the "**Scheme Mandate Limit**"). The Company may seek approval of Shareholders in a general meeting for "refreshing" the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of the Company (or its subsidiary) under the limit as "refreshed" must not exceed 10 per cent. of the Shares in issue as at the Adoption Date. Options previously granted under the scheme (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised Options) will not be counted for the purpose of calculating the limit as "refreshed".
- (ii) Subject to (iii) below, the Company may issue Options to Eligible Participants specifically identified over and above the Scheme Mandate Limit subject to shareholders' approval in a general meeting and the issue of a circular.
- (iii) The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30 per cent. of the total issued Shares from time to time.

The total number of Shares issued and to be issued on the exercise of Options granted and to be granted (including both exercised and outstanding Options) in any 12-month period up to the date of grant of each Eligible Participant shall not exceed 1 per cent. of the total issued Shares unless (i) a shareholders' circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the Options in excess of the 1 per cent. limit referred to in this paragraph; and (iii) the relevant Eligible Participant and its associates abstain from voting on such resolution.

The exercise of any Option shall be subject to Shareholders' approval in a general meeting of any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to allot the Shares on the exercise of Options.

**(e) Exercise of Options**

An Option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme (the "**Option Period**").

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

There is no performance target which must be achieved before any of the Options can be exercised.

**(f) Restrictions on the time of grant of Options**

Grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the GEM Listing Rules. In particular, no Option may be granted:

- (1) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published by the Company;
- (2) during the period commencing 30 days immediately preceding the earlier of: (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period under the GEM Listing Rules (whether or not required under the GEM Listing Rules).

**(g) Rights are personal to grantees**

An Option is personal to the grantee and shall not be assignable. An Option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest in favour of any third party.

**(h) Rights on dismissal or ceasing employment**

If the grantee of an Option, being an employee of a member of the Group, ceases to be an Eligible Participant for any reason other than his death or the termination of his employment on one or more of the grounds of persistent or serious misconduct, bankruptcy, insolvency, composition with his creditors generally or conviction of any criminal offence or other ground on which an employer would be entitled to terminate his employment pursuant to any applicable law, his Option (to the extent not already exercised) will lapse on the date of cessation of his employment and shall not be exercisable unless the Board otherwise determines in which event, the Option (or such remaining part thereof) shall be exercisable within such period as the Board may determine following the date of such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

**(i) Rights on death**

If the grantee of an Option, being an employee of a member of the Group, ceases to be an employee of the Group by reason of his death and none of the events which would be ground for termination of his employment under paragraph (h) above occurs, his personal representative(s) may exercise the Option in full (to the extent not already exercised) within a period of 12 months following the date of his death (or such longer period as the Board may determine).

**(j) Cancellation of Options**

Any cancellation of Options granted but not exercised and the issuance of new Options to the same grantee may only be made under the Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit referred to in paragraph (d)(i) above. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

**(k) Effect of alterations to share capital**

In the event of any alteration in the capital structure of the Company by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers of Shares subject to any Option so far as such Option remains unexercised and/or (ii)

the subscription price per Share and/or (iii) the method of exercise of the Option as an independent financial adviser or the auditors for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.

**(l) Rights on a general offer**

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Hong Kong Codes on Takeovers and Mergers) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time in accordance with the provisions of in paragraph (e) and up to the close of offer.

**(m) Rights on winding up**

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or as soon as after it dispatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his personal representative(s) provided none of the events which would be ground for termination of his employment under paragraph (h) above occurs) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice to be received by the Company no later than five Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he may specify in his notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

**(n) Rights on reconstruction, compromise or arrangement**

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it gives notice to each member or creditor of the Company to consider such a compromise

or arrangement, and thereupon the grantee (or his personal representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company no later than five Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

**(o) Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

**(p) Duration and administration of the Share Option Scheme**

The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary thereof, after such period no further Options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised. The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

**(q) Alterations to the terms of the Share Option Scheme**

- (i) The provisions relating to the matters set out in rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of participants without the prior approval of Shareholders in a general meeting.
- (ii) Any alterations to the terms and conditions of the Share Option Scheme of the Company or any of its subsidiaries which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (iv) Any change to the authority of the Directors or the Share Option Scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in a general meeting.

**(r) Conditions of the Share Option Scheme**

The adoption of the Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution to adopt the Share Option Scheme by the Shareholders at the EGM; and
- (b) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the Share Option Scheme.

**(s) Grant of Options to connected persons or any of their associates**

Any grant of Options to a connected person or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). Where Options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) in any twelve month period up to and including the date of grant to such person representing in aggregate over 0.1 per cent. of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued as stated below).

A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the Options to be granted, (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant, (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of Options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

**(t) Lapse of Options**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) subject to paragraph (e), the expiry of the Option Period;

- (ii) the expiry of any of the periods referred to in paragraph (h), (i), (l), (m) or (n);
- (iii) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment or appointment (as the case may be) on any one or more of the grounds under paragraph (h). A resolution of the Board of the Company or the relevant subsidiary to the effect that employment or appointment (as the case may be) of a grantee has or has not been terminated on one or more of the grounds specified above shall be conclusive and binding on the grantee; or
- (iv) the date on which the grantee commits a breach of paragraph (h).

**(u) Termination**

The Company by ordinary resolution in a general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of any subsequent Share Option Scheme to be established after such termination.

**(v) General**

The terms of the Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the Share Option Scheme shall be referred to the decision of the auditors of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

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## NOTICE OF THE EGM

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# GAYETY HOLDINGS LIMITED

## 喜尚控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of GAYETY HOLDINGS LIMITED (the “**Company**”) will be held at 11:00 a.m. on Friday, 9 December 2011 at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the share option scheme (the “**Share Option Scheme**”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the Share Option Scheme be and are hereby approved and adopted and the Directors be and are hereby authorised to grant options and to allot, issue and deal in the Shares which may fall to be allotted and issued upon the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the Share Option Scheme; and
- (b) the aggregate nominal amount of share capital to be allotted and issued pursuant to resolution numbered 1(a) above, together with any issue of Shares upon the exercise of any options granted under any other share option schemes as may from time to time be adopted by the Company, shall not exceed 10 per cent of the Shares in issue as at the date of the passing of this resolution.”

Yours faithfully

On behalf of the board of directors of  
**GAYETY HOLDINGS LIMITED**

**Wong Kwan Mo**

*Chairman and Executive Director*

Hong Kong, 23 November 2011

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## NOTICE OF THE EGM

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*Registered office:*

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Shop No.46, Ground Floor  
Ho Shun Tai Building  
No. 10 Sai Ching Street  
Yuen Long, New Territories  
Hong Kong

*Notes:*

- 1 A member entitled to attend and vote at the Meeting convened by the above notice (or any adjournment thereof) is entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 A form of proxy for use at the Meeting (or any adjournment thereof) is enclosed.
- 3 Where there are joint registered holders of any Shares, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said person as present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
- 4 In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong share registrar, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 48 hours before the time for holding the Meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.