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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 SHARE SUBDIVISION AND CHANGE IN BOARD LOT SIZE

Proposed Share Subdivision

The Board proposes to subdivide each existing issued and unissued Share of par value HK\$0.01 each into ten (10) Subdivided Shares of par value HK\$0.001 each. Upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$10,000,000 divided into 10,000,000,000 Subdivided Shares, of which 3,200,000,000 Subdivided Shares will be in issue and fully paid or credited as fully paid, assuming that no further Shares will be issued or repurchased (and cancelled) after the date of this announcement and prior to the Share Subdivision becoming effective.

The Subdivided Shares will rank *pari passu* in all respects with each other. An application will be made to Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares to be in issue and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme upon the Share Subdivision becoming effective.

Change in board lot size

The Shares are currently traded on the Stock Exchange in board lot size of 4,000 Shares. The Board also proposes that subject to and upon the Share Subdivision becoming effective, the board lot size be changed from 4,000 Shares to 8,000 Subdivided Shares.

General

The Circular containing the information regarding, among other things, details of the Share Subdivision, the trading arrangements in respect of the Subdivided Shares and a notice convening the EGM will be despatched to the Shareholders on or before 23 December 2011.

SHARE SUBDIVISION

As at the date of this announcement, the authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Shares of par value HK\$0.01 each, of which 320,000,000 Shares have been issued and are fully paid or credited as fully paid. The Share Option Scheme was adopted and approved by the Shareholders on 9 December 2011. No share options have been granted pursuant to the Share Option Scheme since its adoption and the Company has no outstanding warrants, convertibles, options or derivatives as at the date of this announcement.

The Board proposes to subdivide each existing issued and unissued Share of par value HK\$0.01 each into ten (10) Subdivided Shares of par value HK\$0.001 each. Upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$10,000,000 divided into 10,000,000,000 Subdivided Shares, of which 3,200,000,000 Subdivided Shares will be in issue and fully paid or credited as fully paid, assuming that no further Shares will be issued or repurchased (and cancelled) after the date of this announcement and prior to the Share Subdivision becoming effective.

The Subdivided Shares will rank *pari passu* in all respects with each other. An application will be made to Stock Exchange for the listing of, permission to deal in, the Subdivided Shares to be in issue and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme upon the Share Subdivision becoming effective. Subject to the granting of listing of, and permission to deal in, the Subdivided Shares to be in issue and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme, the Subdivided Shares to be in issue and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme, will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares to be in issue and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme, on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Share Subdivision

The Share Subdivision is conditional on:

- (a) the passing by the Shareholders at the EGM of an ordinary resolution approving the Share Subdivision; and
- (b) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options which may be granted under the Share Option Scheme upon the Share Subdivision becoming effective.

CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lot size of 4,000 Shares. The Board also proposes that subject to and upon the Share Subdivision becoming effective, the board lot size be changed from 4,000 Shares to 8,000 Subdivided Shares. The Board Lot Change ensures that the value of each board lot of the Subdivided Shares would be more than HK\$2,000 and minimises transaction and registration costs in respect of transfer of Subdivided Shares. The Board considers the Board Lot Change to be in the interests of the Company and its Shareholders as a whole. As at the date of this announcement, the value of each existing board lot is HK\$13,000.

EXPECTED TIME TABLE

The expected timetable for the implementation of the Share Subdivision and the Board Lot Change is set out below:

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| Despatch of the Circular regarding, among other things, the Share Subdivision | Friday, 23 December 2011 |
| Latest time for lodging the form of proxy for the EGM | 11:00 a.m., on Tuesday, 10 January 2012 |
| Date and time of the EGM | 11:00 a.m., on Thursday, 12 January 2012 |
| Publication of the poll results of the EGM | Thursday, 12 January 2012 |

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Subdivision

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| The Share Subdivision becomes effective | Friday, 13 January 2012 |
| Free exchange of existing certificates for the Shares for new share certificates for the Subdivided Shares commences. | 9:00 a.m., on Friday, 13 January 2012 |
| Dealings in the Subdivided Shares commences | 9:00 a.m., on Friday, 13 January 2012 |
| Original counter for trading in existing Shares in board lots of 4,000 Shares temporarily closes | 9:00 a.m., on Friday, 13 January 2012 |
| Temporary counter for trading in Subdivided Shares in board lots of 40,000 Subdivided Shares (in the form of existing share certificate) opens | 9:00 a.m., on Friday, 13 January 2012 |
| Original counter for trading in Subdivided Shares in board lots of 8,000 Subdivided Shares (in the form of new share certificates) reopens | 9:00 a.m., on Wednesday, 1 February 2012 |

Parallel trading in the Shares and Subdivided Shares
(in the form of new share certificates and
existing share certificates) commences 9:00 a.m., on Wednesday,
1 February 2012

Temporary counter for trading in Subdivided Shares
in board lots of 40,000 Subdivided Shares
(in the form of existing share certificates) closes 4:00 p.m., on Tuesday,
21 February 2012

Parallel trading in the Shares and Subdivided Shares
(in the form of new share certificates and
existing share certificates) ends. 4:00 p.m., on Tuesday,
21 February 2012

Free exchange of existing share certificates for the Shares for
new share certificates for the Subdivided Shares ends. 4:00 p.m., on Thursday,
23 February 2012

Note: All times and dates refer to Hong Kong local times and dates

EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Subdivision becoming effective, the Shareholders can submit their existing share certificates (which are in red colour) for Shares to the Company's branch share registrar in Hong Kong, Union Registrars Limited, 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in exchange for new share certificates (which will be in yellow colour) for Subdivided Shares free of charge between 9:00 a.m. and 4:00 p.m. on any Business Day from Friday, 13 January 2012 to Thursday, 23 February 2012 (both dates inclusive). It is expected that the new share certificates will be available for collection within ten (10) Business Days from the submission of the existing share certificates to Union Registrars Limited for exchange.

From Friday, 24 February 2012 onwards, existing share certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time allowed by the Stock Exchange) for each new share certificate issued or each existing share certificate submitted, whichever number of share certificates involved is higher.

Existing share certificates for the Shares will cease to be valid for trading and settlement purpose for the period up to 4:00 p.m., Tuesday, 21 February 2012 but will continue to be good evidence of legal title to such equivalent number of Subdivided Shares.

REASON FOR THE SHARE SUBDIVISION AND BOARD LOT CHANGE

The proposed Share Subdivision will decrease the nominal value and trading price of each Share and increase the total number of shares of the Company in issue. The Directors are of the view that the increase in number of shares of the Company as a result of the Share Subdivision will improve the liquidity in trading of the Subdivided Shares, thereby enabling the Company to attract more investors and broaden its Shareholders' base eventually. The Directors consider that the Board Lot Change will result in the Subdivided Shares being traded in a more reasonable board lot size and value. The Directors also consider that the implementation of the Share Subdivision and the Board Lot Change are in the interests of the Company and its Shareholders as a whole and would not have any adverse effect on the financial position of the Company.

Other than the expenses to be incurred (including printing charges and professional fees) by the Company in relation to the Share Subdivision and the Board Lot Change, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

GENERAL

The Circular containing the information regarding, among other things, details of the Share Subdivision, the trading arrangements in respect of the Subdivided Shares and a notice convening the EGM will be despatched to the Shareholders on or before 23 December 2011.

The EGM will be convened and held to consider and, if though fit, approve the Share Subdivision and the matters contemplated thereunder. As no Shareholder has a material interest in the Share Subdivision which is different from other Shareholders, no Shareholder is required to abstain from voting at the EGM.

DEFINED TERMS IN THIS ANNOUNCEMENT

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| “Board” | the board of Directors |
| “Board Lot Change” | the change of the board lot size from 4,000 Shares to 8,000 Subdivided Shares upon the Share Subdivision becoming effective |
| “Business Day” | a day (other than a Saturday, Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “CCASS” | The Central Clearing and Settlement System established and operated by HKSCC |
| “Company” | Gayety Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the GEM of the Stock Exchange |
| “Circular” | the circular containing further details of the Share Subdivision and a notice convening the EGM, to be despatched to the Shareholders on or before 23 December 2011 |
| “Directors” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held to consider and, if appropriate, approve the Share Subdivision and the matters contemplated thereunder |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | The Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |

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| “Hong Kong” | The Hong Kong Special Administrative Region of the People’s Republic of China |
| “Share(s)” | existing ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Share Option Scheme” | the share option scheme of the Company adopted on 9 December 2011 |
| “Share Subdivision” | the subdivision of every existing share (both issued and unissued) of par value HK\$0.01 each into ten (10) new shares of par value HK\$0.001 each as referred to in the section headed “Share Subdivision” |
| “Shareholders” | holders of Share(s) or Subdivided Share(s) (as the case may be) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subdivided Share(s)” | new ordinary share(s) of par value HK\$0.001 each in the share capital of the Company following the Share Subdivision |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

By Order of the Board
Gayety Holdings Limited
Wong Kwan Mo
Chairman and executive Director

Hong Kong, 16 December 2011

As at the date of this announcement, the Board comprises Mr. Wong Kwan Mo and Ms. Lau Lan Ying as executive Directors, and Mr. Yu Ka Ho, Mr. Li Fu Yeung and Ms. Chiu Man Yee as independent non-executive Directors.

This announcement, 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.gayety.com.hk>.