
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of 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 Gayety Holdings Limited (the “**Company**”), you should at once hand this circular together with 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.

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company (the “**EGM**”) to 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 on Thursday, 12 January 2012 at 11:00 a.m. is set out on pages 10 to 11 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company’s share registrar in Hong Kong, 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 not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the “Latest Company Announcements” page of the GEM website at 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>.

23 December 2011

CONTENTS

	<i>Page</i>
Characteristics of GEM	ii
Definitions	1
Expected timetable	3
Letter from the Board	5
Notice of EGM	10

CHARACTERISTICS OF GEM

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

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

“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
“Director(s)”	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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	21 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“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”
“Shareholder(s)”	holder(s) 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

EXPECTED TIMETABLE

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

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 fulfillments of the conditions for the implementation of the Share Subdivision

The Share Subdivision becomes effective Friday, 13 January 2012

Free exchange of existing share 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

EXPECTED TIMETABLE

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

Further announcement will be made by the Company for changes, if any, in the expected timetable for implementation of the Share Subdivision and Board Lot Change and the associated trading arrangements as aforesaid.

LETTER FROM THE BOARD

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 December 2011

To the Shareholders

Dear Sir/Madam

PROPOSED SHARE SUBDIVISION

AND

CHANGE IN BOARD LOT SIZE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 16 December 2011, the Board announced that each of the existing issued and unissued shares of par value HK\$0.01 each in the share capital of the Company was proposed to be subdivided into ten (10) shares of par value HK\$0.001 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out below. The Shares are currently traded on the Stock Exchange in board lots of 4,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded on the Stock Exchange in board lots of 8,000 Subdivided Shares.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information relating to, among other things, (i) details of the Share Subdivision and the Board Lot Change; (ii) the trading arrangements in respect of the Subdivided Shares; (iii) the procedure for the free exchange of existing share certificates for new share certificates for the Subdivided Shares; and (iv) the notice of the EGM.

PROPOSED SHARE SUBDIVISION

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$10,000,000 divided into 1,000,000,000 Shares of par value HK\$0.01 each, of which 320,000,000 Shares had 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 had no outstanding warrants, convertibles, options or derivatives as at the Latest Practicable Date.

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 Latest Practicable Date 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.

LETTER FROM THE BOARD

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

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 Latest Practicable Date, the value of each existing board lot is HK\$15,120.

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 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.

LETTER FROM THE BOARD

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.

The new share certificates will be issued in yellow colour in order to distinguish them from existing share certificates which are in red colour.

TRADING ARRANGEMENT FOR SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on Friday, 13 January 2012. Parallel trading in the Subdivided Shares (in the form of existing share certificates and new share certificates) will be operated from Wednesday, 1 February 2012 to Tuesday, 21 February 2012 (both dates inclusive). Full details of the expected timetable and trading arrangement of the Shares are set out on pages 3 to 4 of this circular.

REASONS 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.

COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors or the controlling Shareholders (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 10 to 11 of this circular. The EGM will be convened at Plentiful Delight Banquet Restaurant situated at First Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong on Thursday, 12 January 2012 at 11:00 a.m for the purpose of, considering and, if thought fit, approving the Share Subdivision. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's share registrar in Hong Kong, 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 not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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 in respect of the resolution relating to the Share Subdivision.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

RECOMMENDATION

The Board considers that the Share Subdivision is in the best interests of the Company and its Shareholders as a whole and therefore recommends that the Shareholders vote in favour of the relevant resolution to be proposed at the EGM.

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.

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

NOTICE OF EGM

GAYETY HOLDINGS LIMITED

喜尚控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8179)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Gayety Holdings Limited (the “Company”) 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 on Thursday, 12 January 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subdivided Shares (as hereinafter defined), each of the issued and unissued shares of par value HK\$0.01 each in the share capital of the Company be and is hereby subdivided into ten (10) shares of par value HK\$0.001 each (the “**Subdivided Shares**”) with effect from the business day immediately following the day on which this resolution is passed (the “**Share Subdivision**”) and the directors of the Company be authorised to issue new share certificates in respect of the Subdivided Shares to holders of existing shares of the Company pursuant to the Share Subdivision and to do all things and execute all documents in connection with or incidental to the Share Subdivision.”

Yours faithfully

On behalf of the board of directors of

Gayety Holdings Limited

Wong Kwan Mo

Chairman and Executive Director

Hong Kong, 23 December 2011

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

NOTICE OF EGM

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.
- (3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at 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, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (4) In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (5) The voting on the resolution at the EGM will be conducted by way of poll.