



喜尚控股有限公司
Gayety Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

**ANNOUNCEMENT OF THE FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

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This announcement, for which the directors (the “Directors”) of Gayety Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board (the “Board”) of directors (the “Directors”) of Gayety Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2012, together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover	4	357,844	279,847
Other income	4	655	540
Cost of inventories consumed		(118,553)	(104,335)
Employee benefits expenses	5	(110,708)	(75,304)
Depreciation		(15,081)	(9,258)
Operating lease rentals and related expenses		(35,790)	(23,796)
Utilities expenses		(24,971)	(19,027)
Other gain (losses), net	5	222	(111)
Other operating expenses		(23,398)	(20,206)
Finance costs	6	<u>(246)</u>	<u>(375)</u>
Profit before tax	5	29,974	27,975
Income tax expenses	7	<u>(5,533)</u>	<u>(5,069)</u>
Profit and total comprehensive income for the year		<u>24,441</u>	<u>22,906</u>
Attributable to:			
Owners of the Company		23,393	22,904
Non-controlling interests		<u>1,048</u>	<u>2</u>
		<u>24,441</u>	<u>22,906</u>
Earnings per share			
Basic and diluted (HK cents)	9	<u>0.73</u>	<u>0.82</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Property, plant and equipment		60,226	49,743
Investment property		–	5,878
Rental deposits		8,128	7,070
Prepayment for acquisition of property, plant and equipment		380	2,735
Loan receivable from a substantial shareholder	12	9,900	–
Deferred tax assets		845	297
		<u>79,479</u>	<u>65,723</u>
Current assets			
Inventories	10	7,003	6,867
Trade receivables	11	1,655	1,445
Prepayments, deposits and other receivables		12,384	7,902
Amount due from a related company		–	270
Amount due from a substantial shareholder	12	568	–
Income tax recoverable		–	839
Pledged bank deposit	13	1,500	1,500
Bank balances and cash		61,088	47,181
		<u>84,198</u>	<u>66,004</u>
Current liabilities			
Trade payables	14	13,736	11,667
Other payables, accruals and deposits received		28,664	24,780
Provision for reinstatement costs		1,106	–
Income tax payable		2,430	690
Bank borrowing, secured	15	2,653	2,900
		<u>48,589</u>	<u>40,037</u>
Net current assets		<u>35,609</u>	<u>25,967</u>
Total assets less current liabilities		<u>115,088</u>	<u>91,690</u>
Non-current liabilities			
Provision for reinstatement costs		1,994	2,325
Deferred tax liabilities		32	544
		<u>2,026</u>	<u>2,869</u>
		<u>113,062</u>	<u>88,821</u>
Capital and Reserves			
Share capital	16	3,200	3,200
Reserves		107,005	83,612
		<u>110,205</u>	<u>86,812</u>
Equity attributable to owners of the Company		110,205	86,812
Non-controlling interests		2,857	2,009
		<u>113,062</u>	<u>88,821</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	–	–	486	18,181	18,667	2,007	20,674
Profit for the year and total comprehensive income for the year	–	–	–	22,904	22,904	2	22,906
Issue of share on incorporation (Note 16(a))	–	–	–	–	–	–	–
Reorganisation (Note 16(b))	380	–	(380)	–	–	–	–
Capitalisation issue of shares (Note 16(c))	2,020	(2,020)	–	–	–	–	–
Issue of new shares (Note 16(d))	800	79,200	–	–	80,000	–	80,000
Transaction costs attributable to issue of new shares	–	(11,759)	–	–	(11,759)	–	(11,759)
Dividends (Note 8)	–	–	–	(23,000)	(23,000)	–	(23,000)
At 31 December 2011 and 1 January 2012	3,200	65,421	106	18,085	86,812	2,009	88,821
Profit for the year and total comprehensive income for the year	–	–	–	23,393	23,393	1,048	24,441
Dividend paid to non-controlling interest	–	–	–	–	–	(200)	(200)
At 31 December 2012	<u>3,200</u>	<u>65,421</u>	<u>106</u>	<u>41,478</u>	<u>110,205</u>	<u>2,857</u>	<u>113,062</u>

Note: Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 10 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Shop 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories. At the end of the reporting period and the date of these consolidated financial statements, the Company did not have any holding company.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

Pursuant to a group reorganisation (the “Reorganisation”) of the Group completed in June 2011 to rationalise its structure in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Company’s prospectus dated 30 June 2011 (the “Prospectus”). The Company’s shares have been listed on the GEM of the Stock Exchange since 8 July 2011.

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders, the Group is regarded as a continuing entity resulting from the reorganisation of entities under common control. These financial statements have been prepared in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the group structure after Reorganisation had been in existence at the beginning of the earliest period presented. Accordingly, the consolidated results, assets and liabilities of the Group for the year ended 31 December 2011 include the results, assets and liabilities of the Company and its subsidiaries from 1 January 2011 or, if later, since their respective dates of incorporation, as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on consolidation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has adopted the following new and revised HKFRSs issued by the HKICPA.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property prior to the transfer to property, plant and equipment using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group’s investment property and concluded that the Group’s investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the Directors have determined that the ‘sale’ presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has held no material impact on the Group’s deferred tax balances.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle ²
Amendments to HKFRS 1	Government Loan ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ³
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

* IFRIC represents International Financial Reporting Interpretations Committee

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

3. SEGMENT INFORMATION

The Group is engaged in a single segment, the operation of a chain of Chinese restaurants in Hong Kong. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

No geographical information is presented as all revenue from external customers of the Group are derived in and all non-current assets of the Group are located in Hong Kong.

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during each of the years ended 31 December 2012 and 2011.

4. TURNOVER AND OTHER INCOME

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover		
Chinese restaurants operations	<u>357,844</u>	<u>279,847</u>
Other income		
Sub-letting income	38	350
Loan interest income from a substantial shareholder	568	–
Bank interest income	9	145
Sundry income	<u>40</u>	<u>45</u>
	<u>655</u>	<u>540</u>

5. PROFIT BEFORE TAX

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Other (gain) losses, net		
Loss on disposal of financial assets at fair value through profit or loss	–	62
Loss on disposal of property, plant and equipment	–	49
Gain from change in fair value of investment property	<u>(222)</u>	<u>–</u>
	<u>(222)</u>	<u>111</u>
Employee benefits expenses (including directors' emoluments)		
Salaries, wages and allowances	106,088	72,021
Pension costs – defined contribution plans	<u>4,620</u>	<u>3,283</u>
	<u>110,708</u>	<u>75,304</u>
Auditor's remuneration	900	600
Kitchen consumables (included in other operating expenses)	2,303	3,530
Cleaning expenses (included in other operating expenses)	3,399	1,624
Operating lease rentals in respect of rented premises	<u>30,706</u>	<u>21,240</u>

6. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Finance cost on:		
Bank borrowing		
– wholly repayable within five years	–	244
– not wholly repayable within five years	99	–
Bank overdrafts	–	15
Unwinding of discount on provision for reinstatement costs	<u>147</u>	<u>116</u>
	<u>246</u>	<u>375</u>

7. INCOME TAX EXPENSES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current income tax		
Current year provision	6,402	3,706
Underprovision in prior years	191	150
Deferred income tax	<u>(1,060)</u>	<u>1,213</u>
	<u><u>5,533</u></u>	<u><u>5,069</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follow:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before tax	<u>29,974</u>	<u>27,975</u>
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	4,946	4,616
Tax effect of income not taxable for tax purpose	(36)	(24)
Tax effect of expenses not deductible for tax purpose	336	1,057
Tax effect of tax losses not recognised	96	–
Utilisation of tax losses previously not recognised	–	(730)
Underprovision in prior years	<u>191</u>	<u>150</u>
Income tax expenses	<u><u>5,533</u></u>	<u><u>5,069</u></u>

8. DIVIDENDS

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2011, interim dividends amounting to HK\$23,000,000 were declared and paid by Gayety Limited, a subsidiary of the Company, to its shareholder prior to the Reorganisation.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2012 <i>HK\$000</i>	2011 <i>HK\$000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to the owners of the Company	<u>23,393</u>	<u>22,904</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>3,200,000,000</u></u>	<u><u>2,785,753,425</u></u>

The weighted average number of shares in issue during the year ended 31 December 2011 represents the 240,000,000 shares (Notes 16(a), (b) and (c)) in issue before the listing of shares of the Company on the GEM of the Stock Exchange as if such shares were issued on 1 January 2011, and the weighted average of 38,575,343 (Note 16(d)) shares issued upon the listing of the Company's shares on the GEM of the Stock Exchange, and the aggregate number of 278,575,343 shares were then adjusted for the share sub-division during the year ended 31 December 2012. (Note 16(e)).

Diluted earnings per share for the year ended 31 December 2011 and 2012 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during both years.

10. INVENTORIES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Food and beverages	6,733	6,503
Consumables	<u>270</u>	<u>364</u>
	<u>7,003</u>	<u>6,867</u>

11. TRADE RECEIVABLES

The aging analysis of trade receivables, based on invoice date which approximated the respective revenue recognition dates, is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days and neither past due nor impaired	1,646	1,354
31 – 60 days	2	3
61 – 90 days	7	3
Over 90 days	<u>-</u>	<u>85</u>
	<u>1,655</u>	<u>1,445</u>

The Group does not hold any collateral over trade receivables.

The Group's sales are mainly conducted in cash or by credit cards. Certain customers are granted a credit period of 30 days. Included in trade receivables balance as at 31 December 2012 were receivables of HK\$9,000 (2011: HK\$91,000) that were past due. The trade receivables included in the above aging analysis are considered not impaired as there is no recent history of default. No provision for impairment of trade receivables was made as at 31 December 2011 and 2012.

The carrying amount of the Group's trade receivables is denominated in HK\$.

12. LOAN RECEIVABLE AND AMOUNT DUE FROM A SUBSTANTIAL SHAREHOLDER

On 18 January 2012, the Company entered into a loan agreement with KMW Investment Limited ("KMW"), a substantial shareholder of the Company beneficially owned by the executive Directors of the Company, for advancing a loan of HK\$9,900,000 to KMW. The loan receivable is guaranteed by the executive Directors of the Company, bears interest at Hong Kong Prime Rate ("Prime Rate") plus 1%, and repayable in 3 years from the date of drawdown. Details of which are set out in the Company's announcement dated 18 January 2012.

The amount due from a substantial shareholder represents the interest receivable due from KMW.

In the opinion of the Directors of the Company, no impairment has been recognised in respect of the loan receivable and amount due from KMW as 31 December 2012.

The interest receivable due from KMW is guaranteed by the executive Directors of the Company, interest-free, and repayable on demand.

The carrying amounts of the Group's loan receivable and amount due from a substantial shareholder are denominated in HK\$.

13. PLEDGED BANK DEPOSIT

The carrying amount of pledged bank deposit is denominated in HK\$.

Pledged bank deposit earns interest at prevailing market rates for both years.

The pledged bank deposit as at 31 December 2011 and 2012 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group (Note 15), accordingly, the pledged bank deposit is classified as a current asset.

14. TRADE PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of reporting period:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	8,613	8,341
31 – 60 days	3,875	3,326
61 – 90 days	1,095	–
Over 90 days	153	–
	<u>13,736</u>	<u>11,667</u>

Payment terms granted by suppliers are generally 45 days after the end of the month in which the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade payables as at 31 December 2012 was amounts due to companies controlled by executive Directors of the Company of approximately HK\$2,533,000 (2011: HK\$1,672,000).

The carrying amount of the Group's trade payables is denominated in HK\$.

15. BANK BORROWING, SECURED

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Mortgage loan, secured – repayable on demand	<u>2,653</u>	<u>2,900</u>

Based on the facility agreement, the mortgage loan will be repaid by 120 monthly installments commencing from January 2012. There are 108 (2011: 120) instalments of the mortgage loan remained outstanding as at 31 December 2012. The facility agreement contains a repayment on demand clause pursuant to which the bank can at its discretion demand repayment of the entire outstanding balance from the Group in the absence of any defaults.

Mortgage loan carries interest at Prime Rate less 1.75% (2011: Prime Rate less 1.75%) per annum.

The effective interest rate at the end of the reporting period is as follows:

	2012	2011
Mortgage loan	<u>3.5%</u>	<u>3.5%</u>

As at 31 December 2012, the Group had aggregate banking facilities of approximately HK\$4,203,000 (2011: HK\$4,450,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$107,000 (2011: HK\$80,000) respectively. These facilities were secured by:

- (a) The Group's pledged bank deposit (for the letter of guarantee) amounting to HK\$1,500,000 (2011: HK\$1,500,000) as at 31 December 2012;
- (b) Leasehold land and building (2011: investment property) with a carrying amount of HK\$6,023,000 (2011: HK\$5,878,000) as at 31 December 2012; and
- (c) Certain business credit cards were guaranteed by Mr. Wong Kwan Mo and Ms. Lau Lan Ying, executive Directors of the Company, to the extent of HK\$50,000 in aggregate.

16. SHARE CAPITAL

	Nominal value	Number of shares	Share capital HK\$'000
Authorised			
Ordinary shares			
As at 10 February 2011 (date of incorporation) (Note (a))	0.01	38,000,000	380
Increase during the year (Note (b))	0.01	<u>962,000,000</u>	<u>9,620</u>
As at 31 December 2011 and 1 January 2012	0.01	1,000,000,000	10,000
Share subdivision (Note (e))	0.001	<u>9,000,000,000</u>	<u>—</u>
As at 31 December 2012	0.001	<u><u>10,000,000,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid			
Ordinary shares			
As at 10 February 2011 (date of incorporation) (Note (a))	0.01	1	—
Increase in the year (Note (b))	0.01	37,999,999	380
Capitalisation issue (Note (c))	0.01	202,000,000	2,020
Issue of shares by placing (Note (d))	0.01	<u>80,000,000</u>	<u>800</u>
As at 31 December 2011 and 1 January 2012	0.01	320,000,000	3,200
Share subdivision (Note(e))	0.001	<u>2,880,000,000</u>	<u>—</u>
As at 31 December 2012	0.001	<u>3,200,000,000</u>	<u>3,200</u>

Notes:

- (a) On incorporation of the Company, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share was subscribed, nil-paid, by a nominee company which was an independent third party. On the same date, the said one nil-paid ordinary share was transferred to KMW. On 24 June 2011, the said one nil-paid share was fully paid up by KMW at par.
- (b) Pursuant to a written resolution passed by KMW on 25 June 2011, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 new ordinary shares, which rank pari passu in all respects with the shares in issue as at the date of such resolution. On the same date, 37,999,999 ordinary shares, credited as fully paid, were issued to KMW.
- (c) A total of 202,000,000 ordinary shares were credited as fully paid on 25 June 2011 by way of capitalisation of the sum of HK\$2,020,000 standing to the credit of the share premium account of the Company, and the shares be allotted and issued rank pari passu in all respects with the existing issued shares.

- (d) On 8 July 2011, 80,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$1 each. The new ordinary shares issued rank pari passu with the existing shares in all respects.
- (e) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting held on 12 January 2012, the Company's then issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company were sub-divided into 10 shares of HK\$0.001 each (the "Share Sub-division").

The sub-divided shares and new shares issued rank pari passu in all respects with the shares in issue prior to the Share Sub-division and the rights attaching to the sub-divided shares will not be affected by the Share Sub-division.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group maintains a business philosophy of offering high quality cuisine at highly affordable prices. It is committed to providing memorable dining experiences to its customers by delivering delightfully prepared food, outstanding menu choices and a tastefully designed dining environment.

The Group has succeeded in achieving remarkable growth in 2012. During the year, the Group has also broken new ground, establishing its fourth brand "Home-made Cuisine" by opening its eighth restaurant in Wan Chai. As at 31 December 2012, we are operating eight restaurants under four brands which are described below.

Red Seasons Aroma Restaurants ("Red Seasons")

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Spurred by the success of the Red Seasons restaurants concept, the Group has established its seventh restaurant under the same brand in Wan Chai in March 2012. During the year, the Red Seasons restaurants have achieved a satisfactory result with the revenue up by around 20.8% to approximately HK\$196,223,000.

Many customers have found the allure of Red Reasons irresistible, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns ("roast suckling pig"). The Group has taken further steps to leverage the attraction of roast suckling pig by the introduction of a new voucher scheme. The voucher could be redeemed anywhere across our restaurant network covering Hong Kong. With the new voucher scheme, this signature delicacy is more readily accessible to customers in a wider location.

Plentiful Delight Banquet Restaurant ("Plentiful Delight Banquet")

The second brand established by the Group, Plentiful Delight Banquet, serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet can manage large-scale events up to 1,200 guests on a single occasion. During the year, Plentiful Delight Banquet recorded revenue of approximately HK\$91,736,000.

Red Royalty Banquet Restaurant (“Red Royalty”)

Since its grand opening in December 2011, Red Royalty has registered an excellent performance. What differentiates it from Plentiful Delight Banquet is that Red Royalty provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty’s scale of operations is the largest within the Group’s existing restaurants with a seating capacity of 120 banquet tables and can serve up to 1,400 guests on a single occasion.

During the year, Red Royalty generated revenue of approximately HK\$68,060,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty increased by approximately 29.4% as compared to last year.

Home-made Cuisine

In order to expand its business, the Group further diversified its restaurant portfolio and established its fourth brand, “Home-made Cuisine.” Home-made Cuisine targets mid-range spending classes and is a great place for a gathering of family and friends. It serves contemporary Cantonese cuisine in a comfortable and homey environment. The restaurant specialises in home-made dishes and soups while cooking in an innovative, hearty and healthy way. The menu offers the best choice for those seeking a healthy nutritious meal. A new signature dish, roast suckling chicken stuffed with rice and dried prawns, has been launched exclusively in Home-made Cuisine.

The first restaurant under the brand of Home-made Cuisine is located in Wan Chai and commenced business in July 2012. During the year, Home-made Cuisine generated revenue of approximately HK\$1,825,000.

Financial Review

The Group’s revenue amounted to approximately HK\$357,844,000, representing an increase of approximately 27.9% as compared to last year. This was mainly attributable to the strong growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to owners of the Group increased by approximately 2.1% to approximately HK\$23,393,000, representing a profit margin of approximately 6.5% (2011: 8.2%).

The business environment has become increasingly challenging due to rising food, labour and rental costs during the year. Nonetheless, the Group has been able to maintain good cost controls and improve operating efficiencies through a series of effective cost control measures.

The cost of inventories consumed for the year ended 31 December 2012 amounted to approximately HK\$118,553,000 (2011: HK\$104,335,000). The Group increased bulk purchases of food raw materials from suppliers in order to enjoy a larger discount, which also helped maintain the cost of inventories consumed below approximately 37% of the Group’s revenue.

Employee benefits expenses were approximately HK\$110,708,000 (2011: HK\$75,304,000). The increase was mainly due to the newly opened Red Royalty, Wan Chai Red Seasons and Home-made Cuisine, and the wage adjustments to retain experienced staff under the inflationary environment during the year ended 31 December 2012. The Group regularly reviews the work allocations of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the year ended 31 December 2012 amounted to approximately HK\$35,790,000, representing an increase of approximately 50.4% as compared to last year. The increase was mainly due to the newly opened Red Royalty, Wan Chai Red Seasons and Home-made Cuisine. To better control the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

Awards and Certificates

In 2012, the Group has garnered the following awards and certifications:

Restaurant	Awards/Certification	Awarding Organization
Red Seasons Aroma Restaurant	EatSmart Restaurant	Department of Health
Red Seasons Aroma Restaurant	Best-Ever Dining Awards	Weekend Weekly
Home-made Cuisine	U Choice of Brand Award 2012 – Choice of Dining	Metro Broadcast Corporation Limited

Outlook and Prospects

The operating environment in Hong Kong expected to remain challenging in the foreseeable future. Nonetheless, the management is confident that it can succeed and enhance shareholders value.

The Group is continuously searching for appropriate locations with high traffic flow and reasonable rentals to expand its restaurant network. The Group has launched its ninth restaurant under its fourth brand – Home-made Cuisine, in Olympian City in March 2013. The four brands of the Group have differentiated target markets and positioning which the management considers can address the various needs of the customers and enlarge its market share within the industry.

Through the ongoing expansion, the Group can further benefit from economies of scale through discounts given by suppliers for bulk purchases. The Group is also proactively monitoring the rising food costs, labour costs and rental expenses in order to raise our operational efficiencies.

The Group intends to drive sales growth by offering innovative dishes and quality services. At the same time, the management will keep an eye on potentially lucrative business opportunities for further expansion.

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2012, the share capital and equity attributable to owners of the Company amounted to approximately HK\$3,200,000 and HK\$110,205,000 respectively (2011: HK\$3,200,000 and HK\$86,812,000 respectively).

The Group manages the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remained unchanged from prior year.

The capital structure of the Group consists of secured bank borrowing, pledged bank deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors of the Company, the Group expects to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts.

Cash position

As at 31 December 2012, the carrying amount of the Group's bank balances and cash was approximately HK\$61,088,000 (2011: approximately HK\$47,181,000), representing an increase of approximately 29.4% as compared to that as at 31 December 2011.

The pledged bank deposit as at 31 December 2011 and 2012 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group.

Bank Borrowing and charges on the Group's assets

Details of bank borrowing and charges on the Group's assets as at 31 December 2012 are set out in Note 15.

Gearing ratio

The gearing ratio is calculated as net debt (bank borrowing less bank balances and cash) divided by the total of net debt and total equity. Gearing ratios are not applicable to the Group as at 31 December 2011 and 2012 as the amount of the Group's bank balances and cash is more than the bank borrowing.

Segmental Information

The Group's segment information and revenue for the year ended 31 December 2012 are set out in Notes 3 and 4 respectively.

Dividends

The Directors do not recommend the payment of final dividends for the year ended 31 December 2012. Details of dividends for the year ended 31 December 2012 are set forth in Note 8.

Purchase, Sale or Redemption of the Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the year ended 31 December 2012.

Events after the Reporting Period

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2012 and up to the date of approval of this announcement.

Code on Corporate Governance Practices and Corporate Governance Code

The Board has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) (the “Former Code”) and Corporate Governance Code (effective from 1 April 2012) (the “Revised Code”) under Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2012, the Company has complied with all applicable provisions of the Former Code and Revised Code.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 31 December 2012, the audit committee of the Company consists of three members, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Ho Chun Fai. Mr. Li Fu Yeung is the chairman of the audit committee.

During the year, the Audit Committee performed duties including reviewing the Group’s financial statements, audit findings, external auditor’s independence and the Group’s accounting principles and practices.

The Group’s annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2012 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Auditors

PricewaterhouseCoopers was the reporting accountants of the Company for the purpose of the listing of the Company’s shares on the GEM of the Stock Exchange. PricewaterhouseCoopers resigned as auditors of the Company on 21 October 2011 and had not commenced any audit work on the consolidated financial statements of the Company for the year ended 31 December 2011.

SHINEWING (HK) CPA Limited (“SHINEWING”) was appointed as auditors of the Company on 21 October 2011 and the consolidated financial statements for the year ended 31 December 2011 and 2012 were audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the 2013 annual general meeting.

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

Hong Kong, 28 March 2013

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

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>.