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 2013

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.

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, 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.

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 2013, together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** ***HK$'000***	2012 *HK$'000*
Turnover	*4*	**386,262**	357,844
Other income	*4*	**782**	655
Cost of inventories consumed		**(117,336)**	(118,553)
Employee benefits expenses	*5*	**(118,719)**	(110,708)
Depreciation		**(18,912)**	(15,081)
Operating lease rentals and related expenses		**(43,453)**	(35,790)
Utilities expenses		**(27,366)**	(24,971)
Other (loss) gain, net	*5*	**(768)**	222
Other operating expenses		**(31,355)**	(23,398)
Share of loss of joint venture		**(4)**	–
Finance costs	*6*	**(264)**	(246)
Profit before tax	*5*	**28,867**	29,974
Income tax expenses	*7*	**(5,373)**	(5,533)
Profit and total comprehensive income for the year		**23,494**	24,441
Attributable to:			
Owners of the Company		**23,758**	23,393
Non-controlling interests		**(264)**	1,048
		23,494	24,441
Earnings per share			
Basic and diluted (HK cents)	*9*	**0.74**	0.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**77,073**	60,226
Interest in a joint venture		**1**	–
Rental deposits	*11*	**10,876**	8,128
Prepayment for acquisition of property, plant and equipment		**157**	380
Loan receivable from a substantial shareholder	*12*	**–**	9,900
Deferred tax assets		**2,467**	845
		90,574	79,479
Current assets			
Inventories	*10*	**10,409**	7,003
Trade receivables	*11*	**1,582**	1,655
Prepayments, deposits and other receivables	*11*	**14,183**	12,384
Amount from a substantial shareholder	*12*	**–**	568
Income tax recoverable		**750**	–
Pledged bank deposit	*13*	**1,500**	1,500
Bank balances and cash	*13*	**65,612**	61,088
		94,036	84,198
Current liabilities			
Trade payables	*14*	**10,973**	13,736
Other payables, accruals and deposits received	*14*	**37,392**	28,664
Provision for reinstatement costs		**–**	1,106
Income tax payable		**2,336**	2,430
Bank borrowing, secured	*15*	**2,397**	2,653
		53,098	48,589
Net current assets		**40,938**	35,609
Total assets less current liabilities		**131,512**	115,088
Non-current liabilities			
Provision for reinstatement costs		**3,770**	1,994
Deferred tax liabilities		**369**	32
		4,139	2,026
		127,373	113,062

	NOTE	2013 HK$'000	2012 HK$'000
Capital and Reserves			
Share capital	*16*	**3,200**	3,200
Reserves		**121,211**	107,005
Equity attributable to owners of the Company		**124,411**	110,205
Non-controlling interests		**2,962**	2,857
		127,373	113,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Capital reserve** *(Note i)*	**Retained earnings**	**Other reserve** *(Note ii)*	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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 interests	–	–	–	–	–	–	(200)	(200)
At 31 December 2012 and 1 January 2013	**3,200**	**65,421**	**106**	**41,478**	**–**	**110,205**	**2,857**	**113,062**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**23,758**	**–**	**23,758**	**(264)**	**23,494**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**420**	**420**	**1,097**	**1,517**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**28**	**28**	**(728)**	**(700)**
Dividend *(Note 8)*	**–**	**–**	**–**	**(10,000)**	**–**	**(10,000)**	**–**	**(10,000)**
At 31 December 2013	**3,200**	**65,421**	**106**	**55,236**	**448**	**124,411**	**2,962**	**127,373**

Notes:

(i) 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.

(ii) Other reserve represents transactions with non-controlling interests and capital contributions from non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Gayety Holdings Limited (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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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's immediate and ultimate holding company is KMW Investments Limited ("KMW"), a company incorporated in the British Virgin Island ("BVI").

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

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

- IFRIC represents International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised 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 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of these amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee if and only if it has (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. All these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/ or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

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.

Amendment to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle[2]
Amendment to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Account[4]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

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.

Geographical information

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 2013 and 2012.

4. TURNOVER AND OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Turnover		
Chinese restaurants operations	**386,262**	357,844
Other income		
Sub-letting income	**38**	38
Loan interest income from a substantial shareholder	**566**	568
Bank interest income	**6**	9
Sundry income	**172**	40
	782	655

5. PROFIT BEFORE TAX

	2013	2012
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Other loss (gain), net		
Loss on disposals/ written-off of property, plant and equipment	**768**	–
Gain from change in fair value of investment property	**–**	(222)
	768	(222)
Employee benefits expenses (including directors' emoluments)		
Salaries, wages and allowances	**113,536**	103,394
Incentive payments	**–**	2,694
Contributions to retirement benefits scheme – defined contribution plan	**5,183**	4,620
	118,719	110,708
Auditor's remuneration	**960**	900
Kitchen consumables (included in other operating expenses)	**3,028**	2,303
Cleaning expenses (included in other operating expenses)	**4,071**	3,399
Operating lease rentals in respect of rented premises	**35,869**	30,706

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Finance costs on bank borrowing not wholly repayable within five years	**88**	99
Unwinding of discount on provision for reinstatement costs	**176**	147
	264	246

7. INCOME TAX EXPENSES

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
Current year provision	**6,764**	6,402
(Over) under provision in prior years	**(106)**	191
Deferred income tax	**(1,285)**	(1,060)
	5,373	5,533

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 profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**28,867**	29,974
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**4,763**	4,946
Tax effect of income not taxable for tax purpose	**–**	(36)
Tax effect of expenses not deductible for tax purpose	**114**	336
Tax effect of deductible temporary differences not recognised	**137**	–
Tax effect of tax losses not recognised	**465**	96
(Over) under provision in prior years	**(106)**	191
Income tax expenses	**5,373**	5,533

8. DIVIDEND

During the year ended 31 December 2013, an interim dividend of HK$0.3125 cents (2012: nil) per share totaling HK$10,000,000 were declared and paid. The Directors do not recommend the payment of final dividend for the year ended 31 December 2013 (2012: Nil).

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:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to the owners of the Company	**23,758**	23,393
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,200,000,000**	3,200,000,000

Diluted earnings per share for the year ended 31 December 2013 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

	2013	2012
	HK$'000	*HK$'000*
Food and beverages	**9,788**	6,733
Consumables	**621**	270
	10,409	7,003

11. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Non-current		
Rental deposits	**10,876**	8,128
Current		
Trade receivables	**1,582**	1,655
Prepayments, deposits and other receivables	**14,183**	12,384
	15,765	14,039

The aging analysis of trade receivables, presented based on invoice date which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days and neither past due nor impaired	**969**	1,646
31 – 60 days	**232**	2
61 – 90 days	**381**	7
	1,582	1,655

The Group does not hold any collateral over its trade receivables, deposits and other 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 2013 were receivables of HK$613,000 (2012: HK$9,000) 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 2013 and 2012.

Ageing of trade receivables which are past due but not impaired:

	2013	2012
	HK$'000	*HK$'000*
31-60 days	**232**	2
61-90 days	**381**	7
	613	9

12. LOAN RECEIVABLE AND AMOUNT DUE FROM A SUBSTANTIAL SHAREHOLDER

On 18 January 2012, the Company entered into a loan agreement with 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 was guaranteed by the executive directors of the Company, bore interest at Prime Rate plus 1%, and repayable in 3 years from the date of drawdown. Details of which were set out in the Company's announcement dated 18 January 2011.

The amount due from a substantial shareholder as at 31 December 2012 represented the interest receivable from KMW and was guaranteed by the executive director of the Company, interest-free, unsecured and repayable on demand.

The entire loan receivable and amount due from the substantial shareholder as at 31 December 2012 were fully settled during the year ended 31 December 2013.

13. PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

Cash at banks and pledged bank deposit earn interest at prevailing market rates for both years.

The pledged bank deposit as at 31 December 2013 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, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**10,973**	13,736
Payables for acquisition of property, plant and equipment	**10,567**	2,560
Other payables	**3,650**	4,372
Accruals	**16,885**	16,619
Deposits received	**6,290**	5,113
	37,392	28,664
	48,365	42,400

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

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**7,727**	8,613
31 – 60 days	**2,963**	3,875
61 – 90 days	**159**	1,095
Over 90 days	**124**	153
	10,973	13,736

Payment terms granted by suppliers are generally 30 to 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 2013 was amounts due to companies controlled by executive directors of the Company of approximately HK$1,698,000 (2012: HK$2,533,000).

15. BANK BORROWING, SECURED

	2013	2012
	HK$'000	*HK$'000*
Mortgage loan, secured – repayable on demand	**2,397**	2,653

Based on the facility agreement, the mortgage loan will be repaid by 120 monthly installments commencing from January 2012. There are 96 (2012: 108) installments of the mortgage loan remained outstanding as at 31 December 2013. 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% (2012: Prime Rate less 1.75%) per annum.

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

	2013	2012
	HK$'000	*HK$'000*
Mortgage loan	**3.5%**	3.5%

As at 31 December 2013, the Group had aggregate banking facilities of approximately HK$3,947,000 (2012: HK$4,203,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same dates amounted to approximately HK$107,000 (2012: HK$107,000). These facilities were secured by:

(a) The Group's pledged bank deposit (for the letter of guarantee) amounting to HK$1,500,000 (2012: HK$1,500,000) as at 31 December 2013; and

(b) Leasehold land and building with a carrying amount of HK$5,870,000 (2012: HK$6,023,000) as at 31 December 2013.

In addition, 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			
At 1 January 2012	0.01	1,000,000,000	10,000
Share subdivision *(Note (a))*	0.001	9,000,000,000	-
At 31 December 2012 and 1 January 2013	0.001	10,000,000,000	10,000
Increase in authorised share capital *(Note (b))*	0.001	90,000,000,000	90,000
At 31 December 2013	**0.001**	**100,000,000,000**	**100,000**
Issued and fully paid			
Ordinary shares			
At 1 January 2012	0.01	320,000,000	3,200
Share sub-division *(Note (a))*	0.001	2,880,000,000	-
At 31 December 2012, 1 January 2013 and 31 December 2013	**0.001**	**3,200,000,000**	**3,200**

Notes:

(a) 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.

(b) Pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting held on 10 May 2013, the Company's authorised share capital was increased to HK$100,000,000 divided into 100,000,000,000 ordinary shares of HK$0.001 each by the creation of additional 90,000,000,000 ordinary shares of HK$0.001 each, which will rank pari passu with all existing shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group follows 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 deliciously prepared food, outstanding menu choices and a tastefully designed dining environment. The Group has achieved stable growth during 2013. During the year, the Group has also established two new restaurants and expanded our restaurant network. As at 31 December 2013, we are operating ten restaurants under four brands and their performances are outlined below.

Red Seasons Aroma Restaurants ("Red Seasons")

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Many customers have found the allure of Red Seasons irresistable, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns ("roast suckling pig").

With an aim to enhance the dining atmosphere, the Group has refurbished Shatin Red Seasons and Tuen Mun Red Seasons during the year ended 31 December 2013. In September 2013, the Group further extended the Red Seasons network to Pacific Plaza, Sai Wan.

During the year under review, the turnover from the Red Seasons restaurants increased by around 5% to approximately HK$206,911,000 as compared to the previous year.

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 is ideal for large-scale events up to 1,200 guests on a single occasion. During the year under review, Plentiful Delight Banquet recorded revenue of approximately HK$89,147,000.

Red Royalty Banquet Restaurant ("Red Royalty")

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 ended 31 December 2013, Red Royalty generated revenue of approximately HK$75,796,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty increased by around 3% as compared to last year.

Home-made Cuisine Restaurants (“Home-made Cuisine”)

Home-made Cuisine targets mid-range spending segments and is a great place for a gathering of family and friends. It serves contemporary Cantonese cuisine in a comfortable and homey environment. The restaurants specialise in home-made dishes and soups while cooking in an innovative, hearty and healthy way. The menu offers the best choices for those seeking a healthy nutritious meal. The second restaurant under the brand of Home-made Cuisine is located in Olympian City and commenced business in March 2013. During the year ended 31 December 2013, Home-made Cuisine generated turnover of approximately HK$14,408,000.

Financial Review

During the year ended 31 December 2013, the Group’s revenue amounted to approximately HK$386,262,000, representing an increase of approximately 8% as compared to the last year. This was mainly attributable to the growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to owners of the Company increased by approximately 2% to approximately HK$23,758,000, representing a profit margin of around 6% (2012: 7%).

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 management and improve operating efficiencies through a series of effective cost control measures.

The cost of inventories consumed for the year ended 31 December 2013 amounted to approximately HK$117,336,000 (2012: HK$118,553,000). The Group increased bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing. These procedures helped maintain the cost of inventories consumed below 30% of the Group’s revenue.

Employee benefits expenses were approximately HK$118,719,000 (2012: HK$110,708,000). The increase was mainly due to the newly opened Sai Wan Red Seasons and Olympian City Home-made Cuisine, and the wage adjustments to retain experienced staff under the inflationary environment during the year under review. The Group regularly reviews the work allocation 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 2013 amounted to approximately HK$43,453,000, representing an increase of around 21% as compared to last year. The increase was mainly due to the newly opened Sai Wan Red Seasons and Olympian City Home-made Cuisine. To better manage the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

Outlook and Prospects

Given the uncertainties in the global economy, consumer sentiment in Hong Kong has been weakened. In order to succeed and deliver the best to shareholders, management will closely monitor the market situation and enhance the business operations.

The management is committed to bolster the customer base. During the year, two new restaurants, Sai Wan Red Seasons and Olympian City Home-made Cuisine, were established. The Group continues to search for suitable sites with high traffic flow and reasonable rentals for expansion. Meanwhile, the Group is also continuously developing appetising specialty dishes as well as providing better quality services to customers so as to solidify the Group's market position.

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

The management realises the growing opportunities for business expansion in the People's Republic of China (the "PRC"). In parallel with its rapid economic growth, PRC residents have both higher consuming power and demands for quality Chinese food and services than before. The Board believes Hong Kong-style food has a huge pent-up demand in the PRC and the Group can leverage its brand recognition and extensive catering experience in Hong Kong to explore catering business in the PRC. The Group is now in the preliminary stage of establishing two eateries featuring a wide variety of Hong Kong-style cuisine in Shanghai. The Group is to commence this catering business under a new brand. By encompassing these wide-ranging valuable experiences, the new brand will provide a selection of delicious Hong Kong-style menu items that are irresistible to the PRC customers. The management believes these new restaurants provide a golden opportunity for the Group to tap the PRC market.

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2013, the share capital and equity attributable to owners of the Company amounted to approximately HK$3,200,000 and HK$124,411,000 respectively (2012: HK$3,200,000 and HK$110,205,000 respectively).

Cash position

As at 31 December 2013, the carrying amount of the Group's unpledged bank balances and cash was approximately HK$65,612,000 (2012: approximately HK$61,088,000), representing an increase of approximately 7% as compared to that as at 31 December 2012.

The pledged bank deposit as at 31 December 2012 and 2013 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 2013 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 2012 and 2013 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 2013 are set out in Notes 3 and 4 respectively.

Dividend

During the year ended 31 December 2013, an interim dividend of HK$0.3125 cents (2012: nil) per share totalling HK$10,000,000 were declared and paid. The Directors do not recommend the payment of final dividend for the year ended 31 December 2013.

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 2013.

Events after the Reporting Period

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2013 and up to the date of approval of this announcement.

Corporate Governance

The Board has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the "CG Code") under Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2013, the Company has complied with all applicable provisions of the CG Code except the code provision A.6.7.

Under the code provision A.6.7 of the CG Code, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Regarding the annual general meeting held on 10 May 2013 (the "2013 AGM"), the whole Board of Directors (except Mr. Li Fu Yeung, the chairmen of audit committee and nomination committee of the Company, who was not able to attend due to unavoidable business engagement) and auditor of the Company have attended the 2013 AGM to answer questions of the shareholders. Although, Mr. Li Fu Yeung could not attend the 2013 AGM, there were executive Directors and the other two independent non-executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders at the meeting.

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 2013, the audit committee of the Company consists of three members, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William. 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 2013 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 2013 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 each of the three years ended 31 December 2013 were audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 25 March 2014

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. Kwan Wai Yin, William 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.