

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 report, 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 report 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 report misleading.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wong Kwan Mo (*Chairman*)

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

Independent non-executive Directors

Mr. Li Fu Yeung

Ms. Chiu Man Yee

Compliance Officer

Ms. Lau Lan Ying

Authorised Representatives

Ms. Lau Lan Ying

Mr. Wong Tin King, Richard, *CPA, ACA*

Company Secretary

Mr. Wong Tin King, Richard, *CPA, ACA*

Audit Committee Members

Mr. Li Fu Yeung (*Chairman*)

Ms. Chiu Man Yee

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)

Mr. Li Fu Yeung

Nomination Committee

Mr. Li Fu Yeung (*Chairman*)

Ms. Chiu Man Yee

Legal Advisers to the Company

Pinsent Masons

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

Registered Office

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

Head Office, Headquarters and Principal Place of Business in Hong Kong

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

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Company Website

www.gayety.com.hk

GEM Stock Code

8179

HIGHLIGHTS

- The Group's turnover for the three months ended 31 March 2012 increased by approximately 25.2% to approximately HK\$83,528,000 (2011: HK\$66,700,000).
- Profit attributable to the owners of the Company for the three months ended 31 March 2012 decreased by approximately 4.3% to approximately HK\$3,426,000 (2011: HK\$3,581,000).
- Basic earnings per share for the three months ended 31 March 2012 was approximately HK\$0.11 cents (2011: HK\$0.15 cents).

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2012, together with the unaudited comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2012

	Notes	For the three months ended 31 March	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	4	83,528	66,700
Other income	4	139	180
Cost of inventories consumed		(30,317)	(22,979)
Employee benefits expenses	5	(27,381)	(19,294)
Depreciation		(3,529)	(2,233)
Operating lease rentals and related expenses		(7,907)	(5,958)
Utilities expenses		(5,557)	(4,604)
Other gains		–	50
Other operating expenses		(4,937)	(6,322)
Finance costs	6	(56)	(29)
Profit before tax	7	3,983	5,511
Income tax expenses	8	(657)	(1,286)
Profit and total comprehensive income for the period		3,326	4,225
Attributable to:			
Owners of the Company		3,426	3,581
Non-controlling interests		(100)	644
		3,326	4,225
Earnings per share			
Basic and diluted	9	0.11	0.15

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2012

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Retained earning	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Balance at 1 January 2012	3,200	65,421	106	18,085	86,812	2,009	88,821	
Profit and total comprehensive income for the period	-	-	-	3,426	3,426	(100)	3,326	
Dividends (Note 10)	-	-	-	-	-	(200)	(200)	
Balance at 31 March 2012	3,200	65,421	106	21,511	90,238	1,709	91,947	
Balance at 1 January 2011	-	-	486	18,181	18,667	2,007	20,674	
Profit and total comprehensive income for the period	-	-	-	3,581	3,581	644	4,225	
Dividends (Note 10)	-	-	-	(16,000)	(16,000)	-	(16,000)	
Balance at 31 March 2011	-	-	486	5,762	6,248	2,651	8,899	

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 FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2012

Notes:

1. GENERAL INFORMATION

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. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, 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. The Company's immediate and ultimate holding company at the date of these financial statements is KMW Investments Limited ("KMW"), a company incorporated in the British Virgin Islands ("BVI").

The Company's principal activity during the period was investment holding. The Group's principal activity during the period was the operation of a chain of Chinese restaurants in Hong Kong.

2. REORGANISATION AND BASIS OF PREPARATION

Pursuant to a group reorganisation (the "Reorganisation") of the Company, the Group completed in June 2011 to rationalise the Group's 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. The unaudited condensed consolidated first quarterly financial statements for the three months ended 31 March 2012 (the "First Quarterly Financial Statements") have been prepared on the basis that the current group structure had been in existence at the beginning of the earliest period presented. Accordingly, the unaudited condensed consolidated results, assets and liabilities of the Group for the three months ended 31 March 2011 and 2012 include the results, assets and liabilities of the Company and its subsidiaries with effect 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.

The First Quarterly Financial Statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Rules").

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2011, except for the adoption of the new and revised HKFRSs. The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual report for the year ended 31 December 2011.

The First Quarterly Financial Statements have been prepared on the historical cost basis except for certain investment property and financial instruments, which are measured at fair values. The First Quarterly Financial Statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs, which are effective for the Group's accounting period beginning on or after 1 January 2012.

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

The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these First Quarterly Financial Statements:

HKFRS 1 (Amendments)	Government Loan ²
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴
HKFRS 10	Financial Instruments ⁴
HKFRS 11	Consolidated Financial Statements ²
HKFRS 12	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised)	Employee Benefits ²
HKAS 27 (Revised)	Separate Financial Statements ²
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation-Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – INT20	Stripping Costs in the Production Phase of a Surface Mine ²

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.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

4. REVENUE AND OTHER INCOME

	For the three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue		
Chinese restaurant operations	83,528	66,700
Other income		
Sub-letting income	10	150
Bank interest income	7	2
Interest income from ultimate holding company, KMW	120	–
Sundry Income	2	28
	139	180

5. EMPLOYEE BENEFITS EXPENSES

	For the three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Salaries, wages and allowances	25,570	17,463
Pension costs – defined contribution plans	1,089	810
Provision for unutilised annual leave	522	538
Other employee benefits	200	483
	27,381	19,294

6. FINANCE COSTS

	For the three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Finance costs		
Bank loans wholly repayable within five years	26	–
Bank overdrafts	–	1
Unwinding of discount on provision for reinstatement costs	30	28
	56	29

7. PROFIT BEFORE TAX

	For the three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit before tax is stated after charging the following:		
Kitchen consumables (included in other operating expenses)	338	915
Cleaning expenses (included in other operating expenses)	542	378
Operating lease rentals in respect of rented premises	7,063	5,385

8. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current income tax	657	1,286

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

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the three months ended 31 March 2012 is based on the profit attributable to owners of the Company of HK\$3,426,000 (2011: HK\$3,581,000) and the weighted average of 3,200,000,000 ordinary shares in issue (2011: 2,400,000,000 ordinary shares).

The weighted average number of shares in issue during the three months ended 31 March 2011 represents the 240,000,000 shares in issue before the listing of shares of the Company on the GEM of the Stock Exchange as if such shares had been outstanding during the three months ended 31 March 2011, and the number of shares were then adjusted for the share sub-division.

Diluted earnings per share for the three months ended 31 March 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. DIVIDENDS

	For the three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Dividends	–	16,000

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012.

During the three months ended 31 March 2012, interim dividends amounting to HK\$200,000 was paid by Sencas Limited, a non-wholly owned subsidiary of the Company, to its minority shareholders.

During the three months ended 31 March 2011, interim dividends amounting to HK\$16,000,000 were declared and paid by Gayety Limited, a subsidiary of the Company, to its shareholders prior to the Reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first quarterly results for the three months ended 31 March 2012.

Financial Review

Revenue

The revenue for the three months ended 31 March 2012 amounted to approximately HK\$83,528,000, an increase of approximately 25.2% as compared to that for the three months ended 31 March 2011, primarily due to the strong growth in comparable restaurant sales.

During the period under review, the Red Seasons brand performed in a satisfactory manner with the revenue up by approximately 9.9% to approximately HK\$43,546,000, representing approximately 52.1% of the Group's total revenue. Among the same branded restaurants, Lam Tei Red Seasons, achieved an encouraging increase in revenue by approximately 14.0% to approximately HK\$12,665,000. It was awarded with the "Michelin Bib Gourmand" by the Michelin Guide Hong Kong Macau 2011 for the second consecutive year.

Spurred by the proven success of the Red Seasons restaurants concept in the New Territories, the first restaurant under the same brand on Hong Kong Island was opened in March 2012.

To respond to the rising demand in large scale dining services, wedding banquets and other events, the Group established its sixth restaurant under a new brand, Red Royalty Banquet, in December 2011. It provided a positive impact to the Group during the three months ended 31 March 2012. The revenue of the Group's banquet restaurants, including Plentiful Delight Banquet and Red Royalty Banquet, rose to approximately HK\$39,982,000 for the three months ended 31 March 2012, an increase of approximately 47.7% as compared to that for the three months ended 31 March 2011.

Cost of Inventories Consumed

The cost of inventories consumed for the three months ended 31 March 2012 amounted to approximately HK\$30,317,000, an increase of approximately 31.9% as compared to that for the three months ended 31 March 2011. The rise was in line with the increase of revenue of the Group for the three months ended 31 March 2012. The cost of inventories consumed remained below approximately 37% of the Group's revenue since the year ended 31 December 2010.

Employee Benefit Expenses

Employee benefits expenses for the three months ended 31 March 2012 amounted to approximately HK\$27,381,000, an increase of approximately 41.9% as compared to that for the three months ended 31 March 2011. The rise was mainly due to the establishment of the two new restaurants, Red Royalty Banquet and Wanchai Red Seasons, and the wage adjustments to retain experienced staff under the inflationary environment during the period under review.

Operating Lease Rental and Related Expenses

The operating lease rental and related expenses for the three months ended 31 March 2012 amounted to approximately HK\$7,907,000, an increase of approximately 32.7% as compared to that for the three months ended 31 March 2011. The rise was mainly due to the establishment of the two new restaurants, Red Royalty Banquet and Wanchai Red Seasons.

Other Operating Expenses

The other operating expenses represent mainly expenses incurred for the Group's operation, including expenses from kitchen consumables, laundry, cleaning, repair and maintenance, etc.

The other operating expenses for the three months ended 31 March 2012 amounted to approximately HK\$4,937,000, representing a decrease of approximately 21.9% as compared to that for the three months ended 31 March 2011. The decrease was primarily due to the one-off listing expenses of approximately HK\$524,000 incurred in the three months ended 31 March 2011.

Profit Attributable to Owners of the Company and Profit Margin

The profit attributable to owners of the Company for the three months ended 31 March 2012 amounted to approximately HK\$3,426,000, a decrease of approximately 4.3% as compared to that for the three months ended 31 March 2011. The profit margin decreased slightly from approximately 5.4% for the three months ended 31 March 2011 to approximately 4.1% for the three months ended 31 March 2012. This was primarily due to the initial set up costs for the new restaurants and the general increase in various operating costs.

During the period under review, the Group has established two new restaurants, Red Royalty Banquet and Wanchai Red Seasons, and further broadened the customer bases. The Group focused on cost control especially under the current inflationary environment in Hong Kong. In order to enjoy larger discount, the Group increased bulk purchases of food raw materials from the suppliers. The Group reviewed the work allocation of the staff from time to time to enhance labour efficiency. The Group also entered into long term tenancy agreements to maintain the operating lease rentals at reasonable level.

Prospects

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

Spurred by the proven success of the Red Seasons restaurants concept in the New Territories, the first restaurant under the same brand on Hong Kong Island was opened in March 2012. The opening of the Group's seventh restaurant located at The Zenith, Wanchai, plus extensive promotion and menu enhancement, is believed to have raised the brand awareness and reinforced customers' loyalty. The Group is continuing to look for suitable sites with high traffic flow and reasonable rentals to expand its restaurant network. Meanwhile, the Group is also continuously developing specialty dishes as well as consistently providing quality services to customers so as to solidify the Group's market position.

Altogether, the three brands of the Group have different positioning and target customers which the management believes constitutes significant market differentiation and addresses the needs of various customers thereby enlarges its market share.

On the operations front, the Group will proactively monitor the rising costs in food, labour and rentals in order to raise the overall operational efficiencies. For example, while realising the expansion strategy, the Group would further maximise economies of scale to attain larger discounts from suppliers through bulk purchases.

The Group will continue expanding its scope of business, including opening more local restaurants proactively, extending the dining business to Mainland China and evaluating prospects in other food-related businesses in order to sustain the Group's growth and deliver satisfactory returns to its shareholders.

Liquidity, Financial and Capital Resources

Capital structure

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, cash and bank balances 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 March 2012, the carrying amount of the Group's bank balances and cash was approximately HK\$29,962,000 (31 December 2011: approximately HK\$47,181,000).

The pledged bank deposit of approximately HK\$1,500,000 as at 31 December 2011 and 31 March 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

As at 31 March 2012, bank borrowing of HK\$2,860,000 (31 December 2011: HK\$2,900,000) represented the secured mortgage loan. Based on the facility agreement, the mortgage loan is being repaid by 120 monthly instalments commencing from January 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% per annum. The effective interest rate at the end of the reporting period is 3.5% per annum (31 December 2011: 3.5%).

As at 31 December 2011 and 31 March 2012, the Group had aggregate banking facilities of approximately HK\$4,450,000 and HK\$4,410,000 respectively for loans and other facilities (including letter of guarantee). Unused facilities as at the same dates amounted to approximately 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 (31 December 2011: HK\$1,500,000) as at 31 March 2012;
- (b) An investment property with fair value of HK\$5,878,000 as at 31 March 2012 (31 December 2011: HK\$5,878,000); and
- (c) Personal guarantees executed by Ms. Lau Lan Ying, an executive director and a substantial shareholder of the Company, to the extent of HK\$50,000 for certain business credit cards.

Gearing ratio

Gearing ratio is measured by net debt (aggregate of bank borrowing and amounts due to directors less bank balances and cash) divided by the total of net debt and total equity.

Gearing ratio is not applicable to the Group as at 31 December 2011 and 31 March 2012 as the Group's bank balances and cash is larger than the aggregate of bank borrowing and amounts due to directors.

Dividends

Details of the dividends are set out in Note 10 to the First Quarterly Financial Statements.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the three months ended 31 March 2012. Save for the business plan as disclosed in the Prospectus and elsewhere in this report, there is no plan for material investments or capital assets as at the date of this report.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Share Option Scheme") was approved for adoption on 9 December 2011 and valid for the next ten years.

The Company had not granted any option under Share Option Scheme since its adoption.

As at 31 March 2012, the Company had not granted any right to subscribe for equity or debt securities of the Company to any Directors or chief executives of the Company or their spouse or children under 18 years of age.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2012, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Company

Name of Director	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong Kwan Mo (<i>Note 1</i>)	Interest in controlled corporation	2,400,000,000	75%
Ms. Lau Lan Ying (<i>Note 2</i>)	Interest in controlled corporation	2,400,000,000	75%

Notes:

- (1) Mr. Wong Kwan Mo is deemed to be interested in all the shares held by KMW Investments Limited by virtue of the SFO.
- (2) Ms. Lau Lan Ying is deemed to be interested in all the shares held by KMW Investments Limited by virtue of the SFO.

Saved as disclosed above, as at 31 March 2012, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2012, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following person have an interest or short position in the shares or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
KMW Investments Limited (Note)	Beneficial owner	2,400,000,000	75%

Note:

The entire issued share capital of KMW Investments Limited is owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.

Saved as disclosed above, as at 31 March 2012, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the three months ended 31 March 2012 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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 three months ended 31 March 2012.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 31 March 2012, as notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 June 2011, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the three months ended 31 March 2012 or as at 31 March 2012.

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 Code on Corporate Governance Practices 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 March 2012, the audit committee of the Company consisted of three members, namely Mr. Yu Ka Ho, Mr. Li Fu Yeung and Ms. Chiu Man Yee. Mr. Yu Ka Ho was the chairman of the audit committee.

The audit committee had reviewed the unaudited First Quarterly financial statements for the three months ended 31 March 2012 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

NON-COMPLIANCE WITH RULES 5.05(1) AND 5.28

Subsequent to the three months ended 31 March 2012, Mr. Yu Ka Ho ("Mr. Yu") retired as independent non-executive Director, audit committee chairman and member, remuneration committee member and nomination committee member at the annual general meeting held on 11 May 2012. Following the retirement of Mr. Yu, the Company has had only two independent non-executive directors and two audit committee members up to the date of this report, which fall below the minimum number of three independent non-executive directors and three audit committee members as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules respectively. In this regard, the Company will use its best endeavours to identify suitable candidate to fill the vacancy of an independent

non-executive Director and a member of the audit committee of the Company as soon as practicable within three months from 11 May 2012 pursuant to Rule 5.06 and Rule 5.33 of the GEM Listing Rules. Further announcement will be made by the Company once the new appointment is confirmed in due course in accordance with the GEM Listing Rules.

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

Hong Kong, 15 May 2012

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