

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

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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 the 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
Mr. Kwan Wai Yin, William

Compliance Officer

Ms. Lau Lan Ying

Authorised Representatives

Ms. Lau Lan Ying
Mr. Wong Tin King, Richard, *CPA, FCA*

Company Secretary

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

Audit Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)
Mr. Li Fu Yeung
Mr. Kwan Wai Yin, William

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Legal Advisers to the Company

Michael Li & Co.

Principal Bankers

The Hongkong and Shanghai Banking
Corporation 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
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No. 10 Sai Ching Street
Yuen Long
New Territories
Hong Kong

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
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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 2015 increased by approximately 19% to approximately HK\$130,369,000 (2014: HK\$109,864,000).
- Loss attributable to the owners of the Company for the three months ended 31 March 2015 amounted to approximately HK\$8,279,000 (Profit attributable to the owners of the Company for the three months ended 31 March 2014: HK\$3,833,000).
- Basic loss per share for the three months ended 31 March 2015 was approximately HK0.26 cents (Basic earnings per share for the three months ended 31 March 2014: HK0.12 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 2015 (the “First Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2015

		For the three months ended 31 March	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
	<i>Notes</i>		
Revenue	4	130,369	109,864
Other income	5	102	18
Cost of inventories consumed		(41,770)	(34,720)
Employee benefits expenses	6	(43,723)	(37,389)
Depreciation		(5,436)	(5,406)
Operating lease rentals and related expenses		(12,017)	(11,730)
Utilities expenses		(7,149)	(7,358)
Loss on fair value change of financial assets at fair value through profit or loss		(14,065)	–
Other operating expenses		(15,141)	(8,583)
Finance costs	7	(202)	(68)
(Loss) profit before tax	8	(9,032)	4,628
Income tax credit (expenses)	9	888	(1,080)
(Loss) profit for the period		(8,144)	3,548



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2015

		For the three months ended 31 March	
Note	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	
Other comprehensive income (expenses) for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operation	2	(7)	
Total comprehensive (expenses) income for the period	(8,142)	3,541	
(Loss) profit for the period attributable to:			
Owners of the Company	(8,279)	3,833	
Non-controlling interests	135	(285)	
	(8,144)	3,548	
Total comprehensive (expenses) income attributable to:			
Owners of the Company	(8,277)	3,826	
Non-controlling interests	135	(285)	
	(8,142)	3,541	
(Loss) earnings per share:			
Basic and diluted (HK cents)	(0.26)	0.12	

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2015

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>Note (i)</i>	Other reserve HK\$'000 <i>Note (ii)</i>	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2015	3,200	65,421	106	(972)	(6)	136,862	204,611	1,167	205,778
Loss and total comprehensive income (expenses) for the period	-	-	-	-	2	(8,279)	(8,277)	135	(8,142)
Issue of new shares	160	19,840	-	-	-	-	20,000	-	20,000
Transaction costs attributable to issue new shares	-	(491)	-	-	-	-	(491)	-	(491)
Dividend (<i>Note 11</i>)	-	-	-	-	-	-	-	(900)	(900)
Balance at 31 March 2015	3,360	84,770	106	(972)	(4)	128,583	215,843	402	216,245
Balance at 1 January 2014	3,200	65,421	106	448	-	55,236	124,411	2,962	127,373
Profit and total comprehensive (expenses) income for the period	-	-	-	-	(7)	3,833	3,826	(285)	3,541
Dividend (<i>Note 11</i>)	-	-	-	-	-	-	-	(900)	(900)
Balance at 31 March 2014	3,200	65,421	106	448	(7)	59,069	128,237	1,777	130,014

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 the transactions with the non-controlling interests and capital contributions from non-controlling interests.



NOTES TO THE FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2015

Notes:

1. GENERAL INFORMATION

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 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’s immediate and ultimate holding company 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 activities during the period were (i) the operation of a chain of Chinese restaurants in Hong Kong; (ii) productions, sales and distribution of food products to supermarket chains in Hong Kong; and (iii) investments in equity securities.

2. BASIS OF PREPARATION

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 GEM Listing 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 2014, 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 2014.

The First Quarterly Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. 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 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions

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.

New and Revised Hong Kong Financial Reporting Standard

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

New and revised HKFRSs issued but not yet effective

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.



4. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Chinese restaurants operation – The operation of a chain of Chinese restaurants in Hong Kong.
- (ii) Food products operation – The production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei, to chain supermarkets in Hong Kong.
- (iii) Others – Investment in equity securities.

Segment turnover and results

Segment turnover represents revenue derived from the provision of catering services, sales of food products and gross proceeds from the disposal of investments (if any).

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the three months ended 31 March

	Chinese restaurants operation		Food products operation		Others		Consolidated	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
SEGMENT TURNOVER	109,511	109,864	20,858	–	–	–	130,369	109,864
Revenue from external customers	109,511	109,864	20,858	–	–	–	130,369	109,864
Segment result	6,079	5,852	60	–	(14,065)	–	(7,926)	5,852
Unallocated income							48	2
Unallocated corporate expenses							(952)	(1,158)
Finance costs							(202)	(68)
(Loss) profit before tax							(9,032)	4,628

4. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income, central administrative costs, Directors' emoluments, other losses and finance costs. This is the measure reported to chief operating decision maker for purposes of resource allocation and performance assessments.

Geographical information

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

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the three months ended 31 March 2014 and 2015.

Other segment information

For the three months ended 31 March 2015

	Chinese restaurants operation HK\$'000 (Unaudited)	Food products operation HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Amount included in the measure of segment profit or segment assets:					
Depreciation	5,012	405	-	19	5,436
Loss on fair value change of financial assets at fair value through profit or loss	-	-	14,065	-	14,065
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	2	2	-	44	48
Finance costs	67	135	-	-	202
Income tax expenses (credit)	1,433	-	(2,321)	-	(888)



4. SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

For the three months ended 31 March 2014

	Chinese restaurants operation <i>HK\$'000</i> (Unaudited)	Food products operation <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
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Amount included in the measure of
segment profit or segment assets:

Depreciation	5,387	-	-	19	5,406
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Amounts regularly provided to
the chief operating decision maker
but not included in the measure of
segment profit or loss or
segment assets:

Interest income	2	-	-	-	2
Finance costs	68	-	-	-	68
Income tax expenses	1,080	-	-	-	1,080

Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major products and provision of services to external customers:

	For the three months ended 31 March	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Chinese restaurants catering services	109,511	109,864
Sale of food products	20,858	-
	130,369	109,864

5. OTHER INCOME

For the three months
ended 31 March

	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Bank interest income	48	2
Sundry income	44	6
Sub-letting income	10	10
	102	18

6. EMPLOYEE BENEFITS EXPENSES

For the three months
ended 31 March

	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Salaries, wages and allowance	39,113	33,723
Incentive payments	2,790	2,100
Contributions to retirement benefits scheme – defined contribution plan	1,820	1,566
	43,723	37,389

7. FINANCE COSTS

For the three months
ended 31 March

	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Finance costs on secured bank borrowings:		
Not wholly repayable within five years	18	20
Wholly repayable within five years	135	–
Unwinding of discount on provision for reinstatement costs	49	48
	202	68



8. (LOSS) PROFIT BEFORE TAX

	For the three months ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
(Loss) profit before tax is stated after charging the following:		
Kitchen consumables (included in other operating expenses)	594	792
Cleaning expenses (included in other operating expenses)	1,146	1,135
Operating lease rentals in respect of rented premises	9,799	9,564

9. INCOME TAX (CREDIT) EXPENSES

	For the three months ended 31 March	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current income tax	1,557	1,080
Deferred income tax	(2,445)	–
	(888)	1,080

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

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for both years since the subsidiaries in the PRC did not derive any assessable profits for both periods.

The deferred tax credit represents mainly the reversal of temporary differences in relation to the unrealized gain on financial assets at fair value through profit or loss as at 31 March 2015.

10. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2015 is based on the loss attributable to owners of the Company of HK\$8,279,000 (2014: profit of HK\$3,833,000) and the weighted average of approximately 3,208,889,000 ordinary shares in issue (2014: 3,200,000,000 ordinary shares).

Diluted earnings (loss) per share for the three months ended 31 March 2014 and 2015 are the same as the basic earnings (loss) per share as there were no dilutive potential ordinary shares.

11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2015 (2014: Nil).

During the three months ended 31 March 2015, interim dividend amounting to HK\$900,000 (2014: HK\$900,000) was paid by a non-wholly owned subsidiary of the Company to its minority shareholders.

12. SUBSEQUENT EVENTS

Acquisition of Brilliant Forever Limited (“Brilliant Forever”)

References are made to the announcements of the Company dated 19 December 2014, 13 February 2015 and 24 March 2015 and the circular of the Company dated 27 March 2015 (the “Circular”) in relation to the acquisition (the “Proposed Acquisition”) of the entire equity interest and the sale loan in Brilliant Forever.

Brilliant Forever is principally engaged in investment holding. Brilliant Forever is directly interested in 49% equity interests in Lucky Dessert (China) Holdings Limited, which directly holds the entire issued share capital of Lucky Dessert (China) Limited, which, in turn, directly holds the entire equity interest in Lucky Dessert Catering Management (Shenzhen) Limited. Each of Lucky Dessert (China) Holdings Limited and Lucky Dessert (China) Limited is principally engaged in investment holding. Lucky Dessert Catering Management (Shenzhen) Limited entered into a trademark licensing agreement dated 29 September 2014 (as supplemented and amended by two supplemental agreements dated 29 September 2014 and 27 January 2015 respectively) with Mr. Wong Yat Cheung and Mr. Wong Yat Tung (“Wong’s Brothers”), the owners of the Trademarks “發記甜品”, pursuant to which Wong’s Brothers granted Lucky Dessert Catering Management (Shenzhen) Limited an exclusive right to use and to grant licence to third parties to use the Trademarks “發記甜品” and conduct dessert businesses under the Trademarks “發記甜品” in the PRC for fifteen years. Thus, Brilliant Forever is the sole authorised franchisee of the Trademarks “發記甜品” in the PRC. It is intended that Brilliant Forever and its associates will, by itself or co-operate with other parties, to set up and operate dessert catering restaurants in the PRC under the name of the Trademarks “發記甜品”.

The Proposed Acquisition was completed on 29 April 2015. Further details are disclosed in the Company’s announcement dated 29 April 2015.

Placing and subscription of shares

On 6 May 2015, the Company entered into the placing and subscription agreement with FP Sino-Rich Securities & Futures Limited, the placing agent, and KMW for (i) the placing, on a best effort basis, up to 480,000,000 ordinary shares to not less than six placees (each of whom (and its ultimate beneficial owners(s), where applicable) is an independent third party) at the placing price of HK\$0.193 per share and (ii) the subscription for up to 480,000,000 new ordinary shares by KMW at the subscription price of HK\$0.193 per share. Such placing has been completed as of the date of this report. Further details are disclosed in the Company’s announcement dated 6 May 2015.

Financial assets at fair value through profit or loss

Subsequent to the end of the reporting period and up to the date of the publication of this report, there was a significant increase in fair value of the equity securities.





MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first quarterly results for the three months ended 31 March 2015.

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 deliciously prepared food, outstanding menu choices and a tastefully designed dining environment.

As at 31 March 2015, we are operating nine restaurants under three brands and their performances are outlined below.

Red Seasons Aroma Restaurant (“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 irresistible, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns. During the three months ended 31 March 2015, the Red Seasons restaurants have achieved a satisfactory result with the revenue up by around 2% to approximately HK\$65,402,000 as compared to the last corresponding period.

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 three months ended 31 March 2015, Plentiful Delight Banquet recorded revenue of approximately HK\$23,616,000, which was similar to that of the last corresponding period.

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 three months ended 31 March 2015, Red Royalty generated of approximately HK\$20,493,000. Revenue from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty amounted to approximately HK\$44,109,000 which was up by around 4% as compared to the last corresponding period.



Food products operation

The food products operation represents the production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei, to over 60 concessionaire stores in major supermarket chains in Hong Kong. These food products are mainly prepared in its food processing factory located at Tsuen Wan. During the three months ended 31 March 2015, the food products operation generated revenue of approximately HK20,858,000.

Securities Investment Business

During the three months ended 31 March 2015, the Group neither acquired nor disposed any of its financial assets at fair value through profit or loss. As at 31 March 2015, the Group held 10,496,000 shares in a company listed on the GEM of the Stock Exchange.

During the three months ended 31 March 2015, the Group recorded an unrealized fair value loss of approximately HK\$14,065,000 in the abovementioned investment. Such fair value loss was due to the decrease in share prices of the invested company as at 31 March 2015. The listed securities held by the Group as at 31 March 2015 were valued at approximately HK\$85,647,000.


Financial Review

During the three months ended 31 March 2015, the Group's revenue amounted to approximately HK\$130,369,000, representing an increase of approximately 19% as compared to the last corresponding period. This was mainly attributable to the newly acquired food products operation.

Loss attributable to the owners of the Company amounted to HK\$8,279,000, a significant decrease in profit as compared to last corresponding period. Such decreases were mainly attributable to the unrealized fair value loss from financial assets at fair value through profit or loss, amounting to HK\$11,744,000 (net of tax).

After eliminating the effect of abovementioned loss from financial assets at fair value through profit or loss, the profit attributable to owners of the Company decreased by approximately 10% to approximately HK\$3,465,000. Such decrease in results was mainly due to the increase in advertising and promotional expenses during the three months ended 31 March 2015.





The cost of inventories consumed for the three months ended 31 March 2015 amounted to approximately HK\$41,770,000 (2014: HK\$34,720,000). The cost of inventories consumed was approximately 32% of the Group's revenue during the period (2014: 32%). The Group will increase bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing.

Employee benefits expenses were approximately HK\$43,723,000 (2014: HK\$37,389,000). The increase was mainly due to the newly acquired food products operation and the wage adjustments to retain experienced staff under the inflationary environment during the three months ended 31 March 2015. 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 three months ended 31 March 2015 amounted to approximately HK\$12,017,000, which was similar to that of the last corresponding period. 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

Looking ahead, the management takes a cautious view for 2015. Given the uncertainties in the global economy, the weakening consumer sentiment and deteriorating political polarization in Hong Kong, the management anticipates the retail environment will be very challenging.

The management is committed to bolster the customer base. As traditional Chinese restaurants require intensive initial capital expenditure and relatively large space for operation, the management adjusts its restaurant expansion strategy. The Group will focus on the establishment of smaller Chinese restaurants. 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.

The Group is proactively monitoring the rising food costs, labour costs and rental expenses in order to raise the operational efficiencies.

The management will also diversify the Company's existing business portfolio and broaden its source of income, especially in the PRC. The management intends to enter the Chinese dessert market with a Hong Kong renowned dessert brand “發記甜品”. The management believes that the business acquisition will enhance and enrich the Group's business scope and product line, and thus bring an additional stream of income to the Group. It will also help the Group to explore the opportunities for further development of the Group's catering business in the PRC, which will ultimately enhance the awareness and reputation of the Group's brand in the PRC.

The management will actively seek investment opportunities in the capital market in order to enhance the financial position and earnings of the Group.





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 borrowings, net of pledged bank deposits, and bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, 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 2015, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$95,987,000 (31 December 2014: approximately HK\$69,300,000).

The pledged bank deposits of approximately HK\$5,005,000 as at 31 December 2014 and HK\$5,026,000 as at 31 March 2015 were pledged to banks for the banking facilities of the Group.



Bank borrowings and charges on the Group's assets

	31 March 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
Mortgage loan, repayable on demand	2,064	2,132
Instalment loans, repayable on demand	2,979	3,327
Bank loans	2,005	2,418
Bank overdrafts	3,080	5,245
	10,128	13,122

The facility agreements of mortgage loan and instalment loans contain repayment on demand clauses pursuant to which the banks can at their discretion demand repayment of the entire outstanding balances from the Group in the absence of any defaults.

The following table presents the contractual maturity of the banks borrowings that are repayable on demand:

	Mortgage loan	Instalment loans	
Carrying amount (<i>HK\$'000</i>)			
– 31 March 2015 (<i>Unaudited</i>)	2,064	1,062	1,917
– 31 December 2014 (<i>Audited</i>)	2,132	1,161	2,166
Contractual instalments	120	60	36
Outstanding instalments			
– 31 March 2015	81	30	23
– 31 December 2014	84	33	26

Mortgage loan carries interest at Hong Kong Prime Rate ("Prime Rate") less 1.75% (2014: Prime Rate less 1.75%) per annum.

Instalment loans carries interest at Prime Rate to Prime Rate plus 0.5% per annum.

Bank overdrafts carries interest at Prime Rate plus a margin, ranging from 0.5% to 2% per annum.

Bank loans carries interest at Prime Rate plus 0.25% per annum.

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

	31 March 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
Instalment loans	5% to 5.75%	5% to 5.75%
Bank overdrafts	5.5% to 7.25%	5.5% to 7.25%
Bank loans	5.75%	5.75%
Mortgage loan	3.5%	3.5%

As at 31 March 2015, the Group had aggregate banking facilities of approximately HK\$14,343,000 (31 December 2014: HK\$14,798,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$2,772,000 (31 December 2014: HK\$980,000). These facilities were secured by:

- (a) The Group's pledged bank deposits amounting to approximately HK\$5,026,000 (31 December 2014: HK\$5,005,000) as at 31 March 2015; and
- (b) Leasehold land and building with a carrying amount of approximately HK\$5,681,000 (31 December 2014: HK\$5,717,000) as at 31 March 2015;
- (c) Guarantee from Hong Kong Mortgage Corporation Limited and the government of Hong Kong Special Administrative Region; and
- (d) Unlimited guarantees from non-controlling shareholder and director of a subsidiary.

In additions, certain business credit cards were guaranteed by Mr. Wong Kwan Mo and Ms. Lau Lan Ying, the Directors and a non-controlling interest, to the extent of HK\$100,000 (31 December 2014: HK\$138,000) in aggregate.

Gearing ratio

The gearing ratio is calculated as net debt (secured bank borrowings less pledged bank deposits and 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 2014 and 31 March 2015 as the Group's bank balances and cash are more than its secured bank borrowings.





Dividend

Details of the dividend are set out in Note 11 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

Save as the acquisition of the entire issued share capital of Brilliant Forever as disclosed elsewhere in this report, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the three months ended 31 March 2015. Save as disclosed elsewhere in this report, there is no plan for material investments or capital assets as at 31 March 2015.


SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting of the Company held on 9 December 2011, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of rewarding eligible participants who had made contribution to the Group as well as providing incentives in retaining the Group's existing employees and recruiting additional employees in attaining the long term objectives of the Group.

Subject to the terms of the Share Option Scheme, the Directors may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any Director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries, (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.





The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 9 December 2011 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant of each eligible participant shall not exceed 1% of the total issued shares unless (i) a shareholders' circular is despatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.


The exercise price of the option shares granted under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 9 December 2011 unless terminated by the Group.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

No share options were granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 31 March 2015 (2014: Nil).





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

As at 31 March 2015, the interests or short positions of the Directors and the chief executive 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 Directors	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong Kwan Mo (<i>Note</i>)	Interest in controlled corporation	1,280,000,000	38%
Ms. Lau Lan Ying (<i>Note</i>)	Interest in controlled corporation	1,280,000,000	38%

Note:

1,030,000,000 and 250,000,000 shares are owned by KMW and Strong Light Investments Limited respectively. KMW and Strong Light Investments Limited are companies incorporated in the BVI and Hong Kong respectively. The entire issued share capital of KMW and Strong Light Investments Limited are beneficially owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.



Saved as disclosed above, as at 31 March 2015, none of the Directors and chief executive 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 2015, other than the Directors or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following persons have interests or short positions in the shares or underlying shares of the Company which have 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	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
KMW (<i>Note</i>)	Beneficial owner	1,030,000,000	31%
Strong Light Investments Limited (<i>Note</i>)	Beneficial owner	250,000,000	7%





Note:

1,030,000,000 and 250,000,000 shares are owned by KMW and Strong Light Investments Limited respectively. KMW and Strong Light Investments Limited are companies incorporated in the BVI and Hong Kong respectively. The entire issued share capital of KMW and Strong Light Investments Limited are beneficially owned as to 50% by Mr. Wong Kwan Mo and 50% by Ms. Lau Lan Ying.

Saved as disclosed above, as at 31 March 2015, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executive's 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 2015 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 executive 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 2015.





DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, their respective associates and the substantial shareholders was 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 2015 or as at 31 March 2015.

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 March 2015, 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.

The audit committee had reviewed the unaudited First Quarterly Financial Statements for the three months ended 31 March 2015 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Gayety Holdings Limited
Wong Kwan Mo

Chairman and executive Director

Hong Kong, 15 May 2015

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, Mr. Kwan Wai Yin, William and Ms. Chiu Man Yee as independent non-executive Directors.

