



喜尚控股有限公司 Gayety Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8179



2012

Third Quarterly Report

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
Mr. Ho Chun Fai

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
Mr. Ho Chun Fai

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)
Mr. Li Fu Yeung
Mr. Ho Chun Fai

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Ho Chun Fai

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 nine months ended 30 September 2012 increased by approximately 32.2% to approximately HK\$256,971,000 (2011: HK\$194,391,000).
- Profit attributable to the owners of the Company for the nine months ended 30 September 2012 increased by approximately 16.0% to approximately HK\$12,292,000 (2011: HK\$10,598,000).
- Basic earnings per share for the nine months ended 30 September 2012 was approximately HK0.38 cents (2011: HK0.40 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 and nine months ended 30 September 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 and nine months ended 30 September 2012

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	4	86,562	63,727	256,971	194,391
Other income	4	161	116	458	463
Cost of inventories consumed		(27,390)	(25,550)	(87,542)	(72,021)
Employee benefits expenses	5	(26,719)	(18,452)	(80,030)	(55,487)
Depreciation		(3,838)	(2,286)	(10,970)	(6,731)
Operating lease rental and related expenses		(9,102)	(5,329)	(26,137)	(16,462)
Utilities expenses		(6,791)	(4,855)	(18,248)	(14,354)
Other losses		–	(167)	–	(154)
Other operating expenses		(6,067)	(2,876)	(17,428)	(15,125)
Finance costs	6	(64)	(238)	(182)	(390)
Profit before tax	7	6,752	4,090	16,892	14,130
Income tax expenses	8	(1,179)	(1,059)	(3,609)	(3,327)
Profit and total comprehensive income for the period		5,573	3,031	13,283	10,803
Attributable to:					
Owners of the Company		4,930	3,694	12,292	10,598
Non-controlling interests		643	(663)	991	205
		5,573	3,031	13,283	10,803
Earnings per share					
– Basic and diluted (HK cents)	9	0.15	0.11	0.38	0.40

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2012

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Retained earnings	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	-	-	-	12,292	12,292	991	13,283	
Dividends (Note 10)	-	-	-	-	-	(200)	(200)	
Balance at 30 September 2012	3,200	65,421	106	30,377	99,104	2,800	101,904	
Balance at 1 January 2011	-	-	486	18,181	18,667	2,007	20,674	
Profit and total comprehensive income for the period	-	-	-	10,598	10,598	205	10,803	
Issue of share on incorporation	-	-	-	-	-	-	-	
Reorganisation	380	-	(380)	-	-	-	-	
Capitalisation issue of shares	2,020	(2,020)	-	-	-	-	-	
Issue of new shares	800	79,200	-	-	80,000	-	80,000	
Transaction costs attributable to issue of new shares	-	(12,420)	-	-	(12,420)	-	(12,420)	
Dividends (Note 10)	-	-	-	(23,000)	(23,000)	-	(23,000)	
Balance at 30 September 2011	3,200	64,760	106	5,779	73,845	2,212	76,057	

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 THIRD QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 30 September 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 third quarterly financial statements for the nine months ended 30 September 2012 (the "Third 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 nine months ended 30 September 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 Third 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 Third 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 Third 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 Third Quarterly Financial Statements have been prepared on the historical cost basis except for the investment property, which is measured at fair values. The Third 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 Third Quarterly Financial Statements:

HKFRSs (Amendments)	Annual Improvement to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Government Loan ²
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
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. TURNOVER AND OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover				
Chinese restaurant operations	86,562	63,727	256,971	194,391
Other income				
Sub-letting income	10	29	29	329
Bank interest income	2	87	9	89
Interest income from KMW (Note)	149	–	418	–
Sundry income	–	–	2	45
	161	116	458	463

Note:

On 18 January 2012, the Company entered into a loan agreement with KMW for advancing a loan of HK\$9,900,000 to KMW. The loan was unsecured, bear interest at Prime Rate plus 1% accrued from day to day, and repayable in 3 year from the date of drawdown. Details of which were set out in the announcement of the Company dated 18 January 2012.

5. EMPLOYEE BENEFITS EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Salaries, wages and allowances	25,284	17,077	73,952	51,050
Pension costs – defined contribution plans	1,203	821	3,424	2,426
(Written back of provision) provision for unutilised annual leave	(131)	(10)	419	682
Other employee benefits	363	564	2,235	1,329
	26,719	18,452	80,030	55,487

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Finance costs:				
Bank loans wholly repayable within five years	26	202	76	289
Bank overdrafts	-	7	-	15
Unwinding of discount of provision for reinstatement cost	38	29	106	86
	64	238	182	390

7. PROFIT BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit before tax is stated after charging the following:				
Kitchen consumables	646	478	1,596	2,202
Cleaning expenses	875	419	2,236	1,194
Operating lease rentals in respect of rented premises	7,726	5,749	22,497	16,462

8. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current income tax	1,179	845	3,602	3,113
Under-provision in prior years	-	214	-	214
Deferred tax	-	-	7	-
	1,179	1,059	3,609	3,327

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong for the nine months ended 30 September 2012.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2012 are based on the unaudited consolidated profit of approximately HK\$4,930,000 and HK\$12,292,000 attributable to owners of the Company for the three months and nine months ended 30 September 2012 respectively (three months and nine months ended 30 September 2011: HK\$3,694,000 and HK\$10,598,000 respectively) and the weighted average number of ordinary shares of 3,200,000,000 and 3,200,000,000 (three months and nine months ended 30 September 2011: 3,138,462,000 and 2,647,059,000 respectively) in issue during the respective periods.

The weighted average number of shares in issue during the three months and nine months ended 30 September 2012 represent the 320,000,000 shares in issue upon the listing of the Company's shares on the GEM of the Stock Exchange and such shares were then adjusted for the share sub-division passed by the shareholders at an extraordinary general meeting held on 12 January 2012.

The diluted earnings per share for the respective periods are the same as basic earnings per share as there are no dilutive potential ordinary shares.

10. DIVIDENDS

	For the three month ended 30 September		For the nine month ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Dividends	—	—	200	23,000

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2012.

During the nine months ended 30 September 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 nine months ended 30 September 2011, interim dividends amounting to HK\$23,000,000 was declared and paid by Gayety Limited, a wholly-owned subsidiary of the Company, to its shareholder prior to the Reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the review period, the Group continued to achieve a satisfactory result. The Group's revenue amounted to approximately HK\$256,971,000, representing an increase of approximately 32.2% compared to the corresponding period last year. The rise in revenue was mainly due to the strong growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to owners of the Group increased by approximately 16.0% to approximately HK\$12,292,000, representing a profit margin of approximately 4.8% (2011: 5.5%).

Business Review

The Group's restaurants mainly target the middle range of the restaurant market and it is continuing to enhance its restaurant network strategically through expanding its market share and continuing to promote recognition of its four brands, including Red Seasons Aroma Restaurant, Plentiful Delight Banquet, Red Royalty Banquet and Home-made Cuisine.

Red Seasons Aroma Restaurant ("Red Seasons")

Red Seasons targets customers desiring quality food at competitive prices and specialty Chinese cuisine. During the review period, Red Seasons achieved a satisfactory result with the revenue up by around 23.6% to approximately HK\$147,218,000. With the extensive promotional activities and enhancement of the menu, the Group believed Red Seasons has continued to raise its brand awareness and reinforced the loyalty of its customers.

Plentiful Delight Banquet ("Plentiful Delight")

The second brand established by the Group, Plentiful Delight serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. It is equipped with banquet facilities and has a seating capacity of 100 banquet tables and can manage large-scale events serve up to 1,200 guests on a single occasion. For the nine months ended 30 September 2012, Plentiful Delight recorded a revenue of approximately HK\$63,976,000.

Red Royalty Banquet (“Red Royalty”)

Since its grand opening in December 2011, Red Royalty performs excellently. Red Royalty targets customers who look for premium Chinese wedding banquet and dining services in a grand setting. The restaurant generated revenue of approximately HK\$44,992,000 for the period under review. Red Royalty is expected to be another major income stream for the Group.

Home-made Cuisine

In order to enhance the Group’s business, the Group further diversifies its restaurant portfolio and establishes its fourth brand “Home-made Cuisine” (家常便飯), which is the eighth restaurant of the Group. The first restaurant under “Home-made Cuisine” is located in Wanchai and has commenced business since July 2012. During the review period, “Home-made Cuisine” generated revenue of approximately HK\$785,000.

It targets mid-end spending classes and is a great place for family and friends’ gatherings. “Home-made Cuisine” is to serve contemporary Cantonese cuisine under a comfortable and homey environment. The restaurant specialises in home-made dishes and soups while cooking in an innovative, hearty and healthy way. The menu is the best choice for those seeking a healthy meal.

At the same time, the Group is exploring new business opportunities through its wholly-owned subsidiary, Food Idea Group Limited. For example, the Group plans to open more local restaurants proactively, extend the dining business to Mainland China and evaluate prospects in other food-related business to further enhance the Group’s business network and presence in the industry.

Turning to the Group’s operations, the business environment has become increasingly challenging due to inflation in food, labour and rental costs in the review period. Nonetheless, the Group was able to maintain good cost controls and improve efficiencies by using a series of effective cost control measures.

The cost of inventories consumed for the nine months ended 30 September 2012 amounted to approximately HK\$87,542,000 (2011: HK\$72,021,000). The Group increased bulk purchases of food raw materials from suppliers in order to enjoy a larger discount, which also helped maintain the cost of inventories consumed below approximately 37% of the Group’s revenue.

Employee benefits expenses were approximately HK\$80,030,000 (2011: HK\$55,487,000). The increase was mainly due to the newly opened Red Royalty, Wanchai Red Seasons and Home-made Cuisine restaurants, and the wage adjustments to retain experienced staff under the inflationary environment during the review period. The Group regularly reviews the work allocations of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the nine months ended 30 September 2012 amounted to approximately HK\$26,137,000, representing an increase of approximately 58.8% as compared to the corresponding period last year, mainly due to the opening of Red Royalty, Wanchai Red Seasons and Home-made Cuisine restaurants. To better control the lease and related expenses, the Group has entered into long-term tenancy agreements to maintain the operating lease rentals at a reasonable level.

Prospects

Looking ahead, the management remains optimistic about the operating environment in Hong Kong. In the face of stern challenges caused by the rising operating costs, the management is confident that opportunities exist and the Group believes that it can continue to succeed and utilise its competitive advantages to enhance shareholders' value.

The different brands of the Group have their distinctive positioning and targeted customer segment. The management believes these brands constitute significant market differentiation and address the needs of a wide variety of customers, thereby enlarging its market share.

The Group continues to look for suitable sites with a high traffic flow and reasonable rentals to strengthen and broaden its restaurant network. During the period under view, the Group established its forth brand "Home-made Cuisine" successfully. The contemporary Cantonese home-made dishes and soups are widely accepted by our customers. Subject to the market conditions and other factors, the Group is cautiously targeting to open more restaurants under the "Home-made Cuisine" brand in both Hong Kong and China. The Group is also continuously developing specialty dishes as well as providing quality service to customers so as to enhance its market position and brands.

Capital Structure and Gearing Ratio

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (bank borrowing 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 30 September 2012 as the Group's bank balances and cash is larger than the bank borrowing.

Liquidity and Financial Resources

Cash position

As at 30 September 2012, the carrying amount of the Group's bank balances and cash was approximately HK\$41,958,000.

The pledged bank deposit of approximately HK\$1,500,000 as at 30 September 2012 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group.

Bank borrowing

As at 30 September 2012, bank borrowing amounted to approximately HK\$2,716,000. Based on the facility agreement, the mortgage loan is being repaid by 120 monthly instalments commencing from January 2012. 111 instalments of the mortgage loan remained outstanding as at 30 September 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 30 September 2012 is 3.5%.

As at 30 September 2012, the Group had aggregate banking facilities of approximately HK\$4,316,000 for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$157,000. These facilities were secured by:

- (a) The Group's pledged bank deposit (for the letter of guarantee) amounting to approximately HK\$1,500,000 as at 30 September 2012;
- (b) An investment property with fair value of HK\$5,878,000 as at 30 September 2012; and
- (c) Personal guarantees executed by Ms. Lau Lan Ying and Mr. Wong Kwan Mo, executive Directors and substantial shareholders of the Company, to the extent of HK\$100,000 for certain business credit cards.

Dividends

Details of the dividends are set out in the Note 10 to the Third 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 nine months ended 30 September 2012. Save for the business plan as disclosed in the Prospectus, there is no plan for material investments or capital assets as at 30 September 2012.

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 30 September 2012.

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 30 September 2012, 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 shares and underlying shares of the Company

Name of Director	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong Kwan Mo (<i>Note</i>)	Interest in controlled corporation	2,243,200,000	70.1%
Ms. Lau Lan Ying (<i>Note</i>)	Interest in controlled corporation	2,243,200,000	70.1%

Note:

1,993,200,000 and 250,000,000 shares are owned by KMW Investments Limited and Strong Light Investments Limited respectively. KMW Investments Limited and Strong Light Investments Limited are companies incorporated in the British Virgin Islands and Hong Kong respectively. The entire issued share capital of KMW Investments Limited 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 30 September 2012, 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 30 September 2012, 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 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 (<i>Note</i>)	Beneficial owner	1,993,200,000	62.3%
Strong Light Investments Limited (<i>Note</i>)	Beneficial owner	250,000,000	7.8%

Note:

1,993,200,000 and 250,000,000 shares are owned by KMW Investments Limited and Strong Light Investments Limited respectively. KMW Investments Limited and Strong Light Investments Limited are companies incorporated in the British Virgin Islands and Hong Kong respectively. The entire issued share capital of KMW Investments Limited 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 30 September 2012, 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.

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 nine months ended 30 September 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 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 nine months ended 30 September 2012.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 September 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 business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the nine months ended 30 September 2012.

CHANGES IN INFORMATION OF DIRECTORS

On 12 July 2012, Mr. Ho Chun Fai ("Mr. Ho") has been appointed as an independent non-executive Director. He has also been nominated as a member of the audit committee, remuneration committee and nomination committee of the Company.

NON-COMPLIANCE WITH RULES 5.05(1) AND 5.28

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, 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. On 12 July 2012, Mr. Ho has been appointed as an independent non-executive Director in order to fill the casual vacancy caused by the retirement of Mr. Yu and Mr. Ho has also been nominated as a member of the audit committee, remuneration committee and nomination committee of the Company. After the appointment of Mr. Ho, the number of independent non-executive Directors and the number of members of the audit committee of the Company meet the minimum requirement under rule 5.05(1) and rule 5.28 of the GEM Listing Rules. Details of the appointment of Mr. Ho are set out in the Company's announcement dated 12 July 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 30 September 2012, the audit committee of the Company consists of three members, namely Mr. Ho Chun Fai, Mr. Li Fu Yeung and Ms. Chiu Man Yee. Mr. Li Fu Yeung is the chairman of the audit committee.

The audit committee had reviewed the Third Quarterly Financial Statements for the nine months ended 30 September 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.

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

Hong Kong, 14 November 2012

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