



喜尚控股有限公司
Gayety Holdings Limited

(於開曼群島註冊成立之有限公司)
股份代號：8179

2013

第三季度報告



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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. Kwan Wai Yin, William
(appointed on 2 September 2013)
Mr. Ho Chun Fai
(resigned on 2 September 2013)

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. Kwan Wai Yin, William
(appointed on 2 September 2013)
Mr. Ho Chun Fai
(resigned on 2 September 2013)

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)
Mr. Li Fu Yeung
Mr. Kwan Wai Yin, William
(appointed on 2 September 2013)
Mr. Ho Chun Fai
(resigned on 2 September 2013)

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William
(appointed on 2 September 2013)
Mr. Ho Chun Fai
(resigned on 2 September 2013)

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 2013 increased by approximately 3% to approximately HK\$264,745,000 (2012: HK\$256,971,000).
- Profit attributable to the owners of the Company for the nine months ended 30 September 2013 increased by approximately 6% to approximately HK\$13,029,000 (2012: HK\$12,292,000).
- Basic earnings per share for the nine months ended 30 September 2013 was approximately HK0.41 cents (2012: HK0.38 cents).
- The Board declared the payment of a third quarterly dividend of HK0.3125 cents per share for the nine months ended 30 September 2013.

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 2013 (the “Third Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2013

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	4	81,813	86,562	264,745	256,971
Other income	4	165	161	541	458
Cost of inventories consumed		(24,661)	(27,390)	(82,813)	(87,542)
Employee benefits expenses	5	(24,659)	(26,719)	(83,038)	(80,030)
Depreciation		(4,380)	(3,838)	(12,580)	(10,970)
Operating lease rentals and related expenses		(10,357)	(9,102)	(30,651)	(26,137)
Utilities expenses		(6,320)	(6,791)	(19,244)	(18,248)
Other operating expenses		(5,891)	(6,067)	(20,064)	(17,428)
Finance costs	6	(58)	(64)	(183)	(182)
Profit before tax	7	5,652	6,752	16,713	16,892
Income tax expenses	8	(820)	(1,179)	(3,364)	(3,609)
Profit and total comprehensive income for the period		4,832	5,573	13,349	13,283
Attributable to:					
Owners of the Company		4,961	4,930	13,029	12,292
Non-controlling interests		(129)	643	320	991
		4,832	5,573	13,349	13,283
Earnings per share					
– Basic and diluted (HK cents)	9	0.16	0.15	0.41	0.38

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2013

	Attributable to owners of the Company						Non-controlling	
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Retained earnings HK\$'000	Total HK\$'000	interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2013	3,200	65,421	106	-	41,478	110,205	2,857	113,062
Profit and total comprehensive income for the period	-	-	-	-	13,029	13,029	320	13,349
Transactions with non-controlling interest	-	-	-	1,147	-	1,147	(331)	816
Dividend (Note 10)	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Balance at 30 September 2013	3,200	65,421	106	1,147	44,507	114,381	2,846	117,227
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
Dividend (Note 10)	-	-	-	-	-	-	(200)	(200)
Balance at 30 September 2012	3,200	65,421	106	-	30,377	99,104	2,800	101,904

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.

NOTES TO THE THIRD QUARTERLY FINANCIAL STATEMENTS

For the nine months ended 30 September 2013

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 since 8 July 2011. 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. At the end of reporting period and the date of the Third Quarterly 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 activity during the period was the operation of a chain of Chinese restaurants in Hong Kong.

2. BASIS OF PREPARATION

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 2012, 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 2012.

The Third Quarterly Financial Statements have been prepared on the historical cost basis. 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 2013.

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

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:

Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) - Int 21	Levies ¹

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

² 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	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover				
Chinese restaurant operations	81,813	86,562	264,745	256,971
Other income				
Loan interest income from KMW (Note)	149	149	444	418
Sub-letting income	10	10	29	29
Bank interest income	3	2	5	9
Sundry income	3	–	63	2
	165	161	541	458

Note:

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

5. EMPLOYEE BENEFITS EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Salaries, wages and allowances	23,485	25,516	79,285	76,606
Pension costs – defined contribution plans	1,174	1,203	3,753	3,424
	24,659	26,719	83,038	80,030

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Finance costs:				
Bank borrowing not wholly repayable within five years	17	26	62	76
Unwinding of discount of provision for reinstatement cost	41	38	121	106
	58	64	183	182

7. PROFIT BEFORE TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit before tax is stated after charging the following:				
Kitchen consumables (include in other operating expenses)	419	646	1,863	1,596
Cleaning expenses (include in other operating expenses)	898	875	2,870	2,236
Operating lease rentals in respect of rented premises	8,488	7,726	25,443	22,497

8. INCOME TAX EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current income tax	820	1,179	3,364	3,602
Deferred tax	-	-	-	7
	820	1,179	3,364	3,609

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong for the nine months ended 30 September 2013.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and nine months ended 30 September 2013 are based on the unaudited consolidated profit of approximately HK\$4,961,000 and HK\$13,029,000 attributable to owners of the Company for the three months and nine months ended 30 September 2013 respectively (three months and nine months ended 30 September 2012: HK\$4,930,000 and HK\$12,292,000 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 2012: 3,200,000,000 and 3,200,000,000 respectively) in issue during the respective periods.

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. DIVIDEND

	For the three month ended 30 September		For the nine month ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Third quarterly dividend, proposed, HK0.3125 cents (2012: HK\$Nil)	10,000	–	10,000	–
Interim dividend paid to minority shareholders	–	–	–	200
	10,000	–	10,000	200

At a Board meeting held on 14 November 2013, the Directors declared a third quarterly dividend of HK0.3125 cents per share, aggregating a total of approximately HK\$10,000,000 for the nine months ended 30 September 2013. This dividend declared after the end of the reporting period is not reflected as a dividend payable in the Third Quarterly Financial Statements, but is reflected as an appropriation of retained earnings.

The amount of declared third quarterly dividend is based on 3,200,000,000 shares in issue at 14 November 2013.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's third quarterly results for the nine months ended 30 September 2013.

Business Review

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

During the nine months ended 30 September 2013, the Group established two new restaurants under its brands "Red Seasons" and "Home-made Cuisine". As at 30 September 2013, we were operating ten restaurants under four brands which are described 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.

With an aim to enhance the dining environment, the Group has refurbished Shatin Red Seasons and Tuen Mun Red Seasons during the nine months ended 30 September 2013. In September 2013, the Group further extended the Red Seasons network to Pacific Plaza, Sai Wan.

During the nine months ended 30 September 2013, the turnover from the Red Seasons restaurants decreased by approximately 3% to approximately HK\$142,135,000 as compared to the last corresponding period. This is because Shatin Red Seasons and Tuen Mun Red Seasons were temporary closed for refurbishment during the current period; and the new Sai Wan Red Seasons was only opened at late September 2013.

Plentiful Delight Banquet

The second brand established by the Group, Plentiful Delight Banquet serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet can manage large-scale events up to 1,200 guests on a single occasion. During the nine months ended 30 September 2013, Plentiful Delight Banquet recorded turnover of approximately HK\$64,659,000.

Red Royalty Banquet

Since its grand opening in December 2011, Red Royalty Banquet has registered an excellent performance. What differentiates it from Plentiful Delight Banquet is that Red Royalty Banquet provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty Banquet'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 nine months ended 30 September 2013, Red Royalty Banquet generated turnover of approximately HK\$47,338,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty Banquet increased by approximately 3% as compared to the last corresponding period.

Home-made Cuisine

Home-made Cuisine targets mid-range spending classes and is a great place for a gathering of family and friends. It serves contemporary Cantonese cuisine in a comfortable and homey environment. The restaurants specialise in home-made dishes and soups while cooking in an innovative, hearty and healthy way. The menu offers the best choice for those seeking a healthy nutritious meal. A new signature dish, roast suckling chicken stuffed with rice and dried prawns, has been launched exclusively in Home-made Cuisine.

The second restaurant under the brand of Home-made Cuisine is located in Olympian City and commenced business in March 2013. During the nine months ended 30 September 2013, Home-made Cuisine generated turnover of approximately HK\$10,613,000.

Financial Review

During the nine months ended 30 September 2013, the Group's revenue amounted to approximately HK\$264,745,000, representing an increase of approximately 3% as compared to the last corresponding period. This was mainly attributable to the growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to owners of the Group increased by approximately 6% to approximately HK\$13,029,000, representing a profit margin of approximately 5% (2012: 5%).

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

The cost of inventories consumed for the nine months ended 30 September 2013 amounted to approximately HK\$82,813,000 (2012: HK\$87,542,000). 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 around approximately 30% of the Group's turnover.

Employee benefits expenses were approximately HK\$83,038,000 (2012: HK\$80,030,000). The increase was mainly due to the newly opened Red Seasons and Home-made Cuisine restaurants, and the wage adjustments to retain experienced staff under the inflationary environment during the nine months ended 30 September 2013. Certain employee benefits expenses were saved during the refurbishment period of Shatin Red Seasons and Tuen Mun Red Seasons. Thus, the employee benefits expenses for the three months ended 30 September 2013 were lower as compared to the last corresponding 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 2013 amounted to approximately HK\$30,651,000, representing an increase of approximately 17% as compared to the last corresponding period. The increase was mainly due to the newly opened Red Seasons and Home-made Cuisine restaurants. To better control the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

Outlook and prospects

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

The Group is continuously searching for appropriate locations with high traffic flow and reasonable rentals to expand its restaurant network. The four brands of the Group have differentiated target markets and positioning which the management considers can address the various needs of the customers and enlarge its market share within the industry.

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

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

Other updates

Reference is made to the announcement of the Company dated 18 January 2012 in relation to the provision of loan to KMW and the acquisition of a call option to require KMW to sell the entire issued share capital of a project company which would develop and operate ramen restaurant business in Hong Kong to the Company. As at the date of this report, the ramen restaurant business has not yet been commenced by the project company of KMW as it is still in the progress of gathering the latest market information to further assess the profitability of the ramen restaurant business.

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 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 30 September 2013, the carrying amount of the Group's bank balances and cash was approximately HK\$49,741,000.

The pledged bank deposit of approximately HK\$1,500,000 as at 30 September 2013 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group.

Bank borrowing

As at 30 September 2013, bank borrowing amounted to approximately HK\$2,462,000. Based on the facility agreement, the mortgage loan is being repaid by 120 monthly instalments commencing from January 2012. There were 99 instalments of the mortgage loan remained outstanding as at 30 September 2013. The facility agreement contains a repayment on demand clause pursuant to which the bank can at its discretion demand repayment of the entire outstanding balance from the Group in the absence of any defaults.

Mortgage loan carries interest at Prime Rate less 1.75% per annum. The effective interest rate at 30 September 2012 is 3.5% per annum.

As at 30 September 2013, the Group had aggregate banking facilities of approximately HK\$4,012,000 for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$107,000. 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 2013;
- (b) Leasehold land and building with a carrying amount of HK\$5,909,000 as at 30 September 2013; and
- (c) Certain business credit cards were guaranteed by Ms. Lau Lan Ying and Mr. Wong Kwan Mo, executive Directors, to the extent of HK\$50,000 in aggregate.

Gearing ratio

Gearing ratio is calculated as net debt (bank borrowing less bank balances and cash) divided by the total of net debt and total equity.

Gearing ratio was not applicable to the Group as at 30 September 2013 as the Group's bank balances and cash are larger than its bank borrowings.

Dividend

The Board has resolved to declare a third quarterly dividend of HK0.3125 cents per ordinary share for the nine months ended 30 September 2013. The third quarterly dividend will be paid on or about 5 December 2013 to members, whose names appear on the register of members of the Company at the close of business on 2 December 2013.

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 2013. Save for the business plan as disclosed in the prospectus dated 30 June 2011 (the "Prospectus"), there is no plan for material investments or capital assets as at 30 September 2013.

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 2013 (2012: 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 30 September 2013, 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 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	1,665,208,000	52%
Ms. Lau Lan Ying (<i>Note</i>)	Interest in controlled corporation	1,665,208,000	52%

Note:

1,415,208,000 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 British Virgin Islands 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 30 September 2013, 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 Rules 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 2013, 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 persons 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 (<i>Note</i>)	Beneficial owner	1,415,208,000	44%
Strong Light Investments Limited (<i>Note</i>)	Beneficial owner	250,000,000	8%

Note:

1,415,208,000 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 British Virgin Islands 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 30 September 2013, 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 nine months ended 30 September 2013 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 nine months ended 30 September 2013.

COMPLIANCE ADVISER’S INTEREST IN THE COMPANY

As at 30 September 2013, 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 and the appointment of Quam Capital Limited as the financial adviser of the Company in relation to the proposed Transfer of Listing under Chapter 9A of the Listing Rules (details of which were disclosed in the announcement of the Company dated 8 May 2013), 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 business of the Group during the nine months ended 30 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the purpose of determining the entitlement to the third quarterly dividend from Friday, 29 November 2013 to Monday, 2 December 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the third quarterly dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, no later than 4:00 p.m. on Thursday, 28 November 2013.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Ho Chun Fai resigned as an independent non-executive Director, and ceased to be the members of the audit committee, remuneration committee and nomination committee of the Company on 2 September 2013.

On 2 September 2013, Mr. Kwan Wai Yin, William has been appointed as an independent non-executive Director. He has also been nominated as the members of the audit committee, remuneration committee and nomination committee of the Company.

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 (effective until 31 March 2012) as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, the Board adopted a set of the revised terms of reference of the audit committee of the Company, which has included changes in line with the Corporate Governance Code requirements effective from 1 April 2012. The revised terms of reference setting out the audit committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. 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 2013, the audit committee of the Company consists of three members, namely Mr. Kwan Wai Yin, William, 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 2013 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 2013

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