



# 喜尚控股有限公司 Gayety Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8179



## 2014

### 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 (“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, 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

### 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 Banker

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  
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](http://www.gayety.com.hk)

### GEM Stock Code

8179

## HIGHLIGHTS

- The Group's turnover for the nine months ended 30 September 2014 increased by approximately 31% to approximately HK\$346,503,000 (2013: HK\$264,745,000).
- Profit attributable to the owners of the Company for the nine months ended 30 September 2014 decreased by approximately 1% to approximately HK\$12,858,000 (2013: HK\$13,029,000).
- Basic earnings per share for the nine months ended 30 September 2014 was approximately HK\$0.40 cents (2013: HK\$0.41 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 2014 (the “Third Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2013, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2014

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	4	125,158	81,813	346,503	264,745
Other income	4	66	165	255	541
Cost of inventories consumed		(42,295)	(24,661)	(111,215)	(82,813)
Employee benefits expenses	6	(38,882)	(24,659)	(112,481)	(83,038)
Depreciation		(5,629)	(4,380)	(16,564)	(12,580)
Operating lease rentals and related expenses		(11,719)	(10,357)	(34,532)	(30,651)
Utilities expenses		(8,209)	(6,320)	(23,787)	(19,244)
Other operating expenses		(11,062)	(5,891)	(30,278)	(20,064)
Finance costs	7	(203)	(58)	(402)	(183)
Profit before tax	8	7,225	5,652	17,499	16,713
Income tax expenses	9	(1,964)	(820)	(4,154)	(3,364)
Profit for the period		5,261	4,832	13,345	13,349
<b>Attributable to:</b>					
Owners of the Company		4,867	4,961	12,858	13,029
Non-controlling interests		394	(129)	487	320
		5,261	4,832	13,345	13,349
<b>Earnings per share</b>					
– Basic and diluted (HK cents)	10	0.15	0.16	0.40	0.41

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

For the three months and nine months ended 30 September 2014

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit for the period	5,261	4,832	13,345	13,349
Other comprehensive income for the period:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operation	–	–	(7)	–
Total comprehensive income for the period	5,261	4,832	13,338	13,349
<b>Attributable to:</b>				
Owners of the Company	4,867	4,961	12,851	13,029
Non-controlling interests	394	(129)	487	320
	5,261	4,832	13,338	13,349

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2014

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	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)
<b>At 1 January 2014</b>	3,200	65,421	106	448	-	55,236	124,411	2,962	127,373
Profit and total comprehensive income for the period	-	-	-	-	(7)	12,858	12,851	487	13,338
Acquisition of subsidiaries	-	-	-	-	-	-	-	(1,005)	(1,005)
Capital contributions from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	638	638
Dividend (Note 11)	-	-	-	-	-	-	-	(900)	(900)
<b>At 30 September 2014</b>	<b>3,200</b>	<b>65,421</b>	<b>106</b>	<b>448</b>	<b>(7)</b>	<b>68,094</b>	<b>137,262</b>	<b>2,182</b>	<b>139,444</b>
<b>At 1 January 2013</b>	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 11)	-	-	-	-	-	(10,000)	(10,000)	-	(10,000)
<b>At 30 September 2013</b>	<b>3,200</b>	<b>65,421</b>	<b>106</b>	<b>1,147</b>	<b>-</b>	<b>44,507</b>	<b>114,381</b>	<b>2,846</b>	<b>117,227</b>

### 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 2014*

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Shop 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories.

At the end of the reporting period and the date of 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.

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; and (ii) production, sales and distribution of food products to chain supermarkets 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 2013, 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 2013.

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 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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:

Amendment to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle <sup>1</sup>
Amendment to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2012-2014 Cycle <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation <sup>2</sup>
HKFRS 14	Regulatory Deferral Account <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

## 4. TURNOVER AND OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Turnover</b>				
Chinese restaurants operation	101,142	81,813	307,317	264,745
Food products operation	24,016	–	39,186	–
	<b>125,158</b>	<b>81,813</b>	<b>346,503</b>	<b>264,745</b>
<b>Other income</b>				
Bank interest income	56	3	146	5
Sundry income	–	3	80	63
Sub-letting income	10	10	29	29
Loan interest income from KMW ( <i>Note</i> )	–	149	–	444
	<b>66</b>	<b>165</b>	<b>255</b>	<b>541</b>

*Note:*

On 18 January 2012, the Company entered into a loan agreement with KMW, a substantial shareholder of the Company beneficially owned by the executive Directors, 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.

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

## 5. 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.

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

Chinese restaurants operation – The operation of a chain of Chinese restaurants in Hong Kong.

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.

### Segment revenues and results

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

#### For the nine months ended 30 September

	Chinese restaurants operation		Food products operation		Consolidated	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue from external customers	307,317	264,745	39,186	–	346,503	264,745
Segment results	20,548	19,892	1,389	–	21,937	19,892
Unallocated income					146	5
Unallocated corporate expenses					(4,182)	(3,001)
Finance costs					(402)	(183)
Profit before tax					17,499	16,713
Income tax expenses					(4,154)	(3,364)
Profit for the period					13,345	13,349
<b>Other segment information:</b>						
Amount included in the measure of segment results:						
Depreciation	16,402	12,580	162	–	16,564	12,580

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of bank interest income, central administrative expenses, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

### Geographical information

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

## 6. EMPLOYEE BENEFITS EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries, wages and allowances	37,007	23,485	105,338	79,285
Incentive payments	–	–	2,100	–
Contributions to retirement benefits scheme – defined contribution plan	1,875	1,174	5,043	3,753
	<b>38,882</b>	<b>24,659</b>	<b>112,481</b>	<b>83,038</b>

## 7. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Finance costs on bank borrowings:				
wholly repayable within five years	53	–	92	–
not wholly repayable within five years	20	17	61	62
Unwinding of discount on provision for reinstatement costs	50	41	147	121
Bank overdrafts and bill interests	80	–	102	–
	<b>203</b>	<b>58</b>	<b>402</b>	<b>183</b>

**8. PROFIT BEFORE TAX**

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before tax is stated after charging the following:				
Kitchen consumables (include in other operating expenses)	593	419	2,145	1,863
Cleaning expenses (include in other operating expenses)	981	898	3,111	2,870
Operating lease rentals in respect of rented premises	9,394	8,488	28,332	25,443

**9. INCOME TAX EXPENSES**

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current income tax				
Current year provision	1,964	820	4,653	3,364
Over provision in prior years	—	—	(499)	—
	1,964	820	4,154	3,364

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong for the nine months ended 30 September 2014.

**10. EARNINGS PER SHARE**

The calculation of basic earnings per share for the three months and nine months ended 30 September 2014 are based on the unaudited consolidated profit of approximately HK\$4,867,000 and HK\$12,858,000 attributable to owners of the Company for the three months and nine months ended 30 September 2014 respectively (three months and nine months ended 30 September 2013: HK\$4,961,000 and HK\$13,029,000 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 2013: 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.

**11. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2014.

During the nine months ended 30 September 2014, interim dividends amounting to HK\$900,000 was paid by Tin Ho Restaurant Limited, a non-wholly owned subsidiary of the Company, to its minority shareholders.

At a Board meeting held on 14 November 2013, the Directors declared an interim dividend of HK\$0.3125 cents per share totalling HK\$10,000,000 for the nine months ended 30 September 2013. This dividend was reflected as an appropriation of retained earnings as at 30 September 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's third quarterly results for the nine months ended 30 September 2014.

### **Business Review**

#### ***Restaurant operation***

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.

The Group has achieved stable growth for the nine months ended 30 September 2014. As at 30 September 2014, we are operating ten restaurants under four 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 ("Roast Suckling Pig"). During the nine months ended 30 September 2014, the Red Seasons restaurants have achieved a satisfactory result with the turnover up by around 27% to approximately HK\$179,871,000 as compared to the last corresponding period.

#### ***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 nine months ended 30 September 2014, Plentiful Delight Banquet recorded turnover of approximately HK\$67,044,000, a slight increase of approximately 4% as compared to the last corresponding period.

#### ***Red Royalty Banquet***

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 2014, Red Royalty Banquet generated turnover of approximately HK\$49,884,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty Banquet amounted to approximately HK\$116,928,000, a slight increase of approximately 4% as compared to the last corresponding period.

### ***Home-made Cuisine***

Home-made Cuisine targets mid-range spending segments and is a great place for a gathering of family and friends. It serves contemporary Cantonese cuisine in a comfortable and homey environment. The restaurants specialise in home-made dishes and soups while cooking in an innovative, hearty and healthy way. The menu offers the best choice for those seeking a healthy nutritious meal.

During the nine months ended 30 September 2014, Home-made Cuisine generated turnover of approximately HK\$10,518,000 which was similar to that of the last corresponding period.

### ***Food products operation***

During the nine months ended 30 September 2014, the Group has acquired 58% equity interests of Nicecity Limited (“Nicecity”) and Excellent Catering Management Limited (“Excellent Catering”) for a cash consideration of HK\$3,750,000 in aggregate. Nicecity and Excellent Catering are principally engaged in the production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei, to chain supermarkets in Hong Kong. They are now operating a food processing factory in Tsuen Wan and over 70 concessionaire stores in chain supermarkets located in various districts in Hong Kong.

During the nine months ended 30 September 2014, Nicecity and Excellent Catering generated turnover of approximately HK\$39,186,000.

## **Financial Review**

During the nine months ended 30 September 2014, the Group’s revenue amounted to approximately HK\$346,503,000, representing an increase of approximately 31% as compared to the last corresponding period. This was mainly attributable to the growth in comparable restaurant sales, the contribution from the newly opened Sai Wan Red Seasons and the newly acquired food products operation. Profit attributable to owners of the Group decreased by approximately 1% to approximately HK\$12,858,000, representing a profit margin of approximately 4% (2013: 4%).

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 2014 amounted to approximately HK\$111,215,000 (2013: HK\$82,813,000). The Group increased bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing. These procedures helped maintain the cost of inventories consumed below approximately 32% of the Group's revenue.

Employee benefits expenses for the nine months ended 30 September 2014 amounted to approximately HK\$112,481,000 (2013: HK\$83,038,000). The increase was mainly due to the newly opened Sai Wan Red Seasons, the newly acquired food products operation and the wage adjustments to retain experienced staff under the inflationary environment during the nine months ended 30 September 2014. 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 2014 amounted to approximately HK\$34,532,000, representing an increase of approximately 13% as compared to the last corresponding period. The increase was mainly due to the newly opened Sai Wan Red Seasons and the newly acquired food products operation. 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

Looking ahead, the management takes a cautious view for the fourth quarter of 2014. Given the shrinking domestic consumption and the deteriorating political polarization in Hong Kong, the management believes the retail environment will be very challenging. The management will closely monitor the market situation and will restructure the shop portfolio in order to enhance the operating efficiency.

The acquisition of the food products operation at May 2014 marks an important step of expanding the Group's distribution channel to chain supermarkets in Hong Kong. The existing restaurant operation is benefited by the distribution channel of the food products operation. The Group is selling its signature dish, Roast Suckling Pig, through the concessionaire stores operated by Nicecity and Excellent Catering. The food products operation achieves economies of scale through the bulk purchases of the restaurant operation. The Group can now penetrate into new businesses through the food products operation.

The management actively looks for PRC investment opportunities to diversify the business portfolio and broaden the income source. Chinese citizens are looking for a higher standard for food and services as their consumption capacities climb. The Group intends to enter the Chinese dessert market with a Hong Kong renowned dessert brand "Lucky Dessert" (發記甜品). The management plans to set up new outlets of "Lucky Dessert" (發記甜品) at suitable locations, including but not limited to first-tier cities such as Beijing, Chongqing, Guangzhou, Shanghai, Shenzhen and Tianjin, according to the demand of the consumers and the growth potential of different regions. The Group also intends to enter the PRC fast food market by the business acquisition of Guangzhou Doreme Catering Management Limited (廣州多美麗飲食管理有限公司).

Riding on the success in operating a number of renowned local Chinese catering brands in Hong Kong, the management is confident that these PRC business developments will promptly expand our presence in the Chinese market, bringing long-term and strategic benefits to the Group and enhancing value to the shareholders.

## **Liquidity, Financial and Capital Resources**

### ***Capital structure***

The Group manages the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remained unchanged from prior year.

The capital structure of the Group consists of secured bank borrowings, 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 2014, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$78,231,000 (31 December 2013: approximately HK\$65,612,000).

The pledged bank deposits of approximately HK\$1,500,000 as at 31 December 2013 and HK\$5,023,000 as at 30 September 2014 were pledged to banks for the banking facilities of the Group.

### ***Bank borrowings***

The bank borrowings of approximately HK\$5,875,000 (31 December 2013: HK\$2,397,000) carry floating rate interest based on the banks' prime rate and their cost of fund ("Prime Rate") and the effective interest rates ranged from 3.5% to 5.75% (2013: 3.5%) per annum.

Bank overdrafts of approximately HK\$3,941,000 (31 December 2013: HK\$Nil) carry floating rate interest based on the Prime Rate and the effective interest rates ranged from 5.5% to 7.75% (2013: Nil) per annum.

As at 31 December 2013 and 30 September 2014, the Group had aggregate banking facilities of approximately HK\$3,947,000 and HK\$16,225,000 respectively for loans and other facilities (including letter of guarantee). Unused facilities as at the same dates amounted to approximately HK\$107,000 and HK\$1,736,000 respectively. These facilities were secured by:

- (a) The Group's pledged bank deposits (for the letter of guarantee) amounting to HK\$5,023,000 (31 December 2013: HK\$1,500,000) as at 30 September 2014;
- (b) Leasehold land and building with a carrying amount of HK\$5,757,000 (31 December 2013: HK\$5,870,000) as at 30 September 2014;
- (c) Guarantee from Mr. Wong Kwan Mo and Ms. Lau Lan Ying, executive Directors, to the extent of HK\$50,000;
- (d) Guarantee from Hong Kong Mortgage Corporation Limited and HKSAR Government; and
- (e) Unlimited guarantees from certain minority shareholders of a subsidiary.

## **Gearing ratio**

Gearing ratio is calculated as net debt (bank borrowings 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 2014 as the Group's bank balances and cash are larger than its bank borrowings.

## **Dividend**

Details of the dividend are set out in the Note 11 to the Third Quarterly Financial Statements.

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

Saved as the acquisition of Nicecity and Excellent Catering disclosed elsewhere in this report, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 30 September 2014. Saved as disclosed elsewhere in this report, there is no plan for material investments or capital assets as at 30 September 2014.

## **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 2014 (2013: Nil).

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

As at 30 September 2014, 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 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	1,665,208,000	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 2014, 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 2014, 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 Shareholders	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 2014, 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 2014 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 2014.

## **DIRECTORS’ INTEREST IN COMPETING BUSINESS**

None of the Directors is interested in any business apart from the Group’s businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the nine months ended 30 September 2014.

## 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 30 September 2014, 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 2014 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 2014

*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.*