Gayety Holdings Limited
喜尚控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

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.

This announcement, 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 announcement 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 announcement misleading.

HIGHLIGHTS

- The Company's ordinary shares of HK$0.01 each (the "Share(s)") were listed on GEM of the Stock Exchange on 8 July 2011 by way of placing (the "Placing").

- The Group's turnover for the six months ended 30 June 2011 increased by approximately 36.6% to approximately HK$130,664,000 (2010: HK$95,681,000).

- Profit attributable to the owners of the Company for the six months ended 30 June 2011 increased by approximately 46.2% to approximately HK$6,904,000 (2010: HK$4,723,000). Taking out the effect of one-off listing fee of approximately HK$3,683,000, the profit attributable to owners of the Company for the six months ended 30 June 2011 increased significantly by approximately 124.2%.

- Basic earnings per Share for the six months ended 30 June 2011 was approximately HK$3.40 cents (2010: HK$2.34 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 six months ended 30 June 2011, together with the unaudited comparative figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2011

		For the three months ended 30 June		For the six months ended 30 June	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*8*	**63,964**	45,591	**130,664**	95,681
Other income	*8*	**167**	329	**345**	656
Cost of inventories consumed		**(23,492)**	(16,138)	**(46,471)**	(34,468)
Employee benefits expenses	*9*	**(17,741)**	(13,797)	**(37,035)**	(27,491)
Depreciation		**(2,212)**	(1,726)	**(4,445)**	(3,264)
Operating lease rental expenses		**(5,598)**	(5,036)	**(11,133)**	(9,342)
Utilities expenses		**(4,895)**	(3,791)	**(9,499)**	(7,030)
Other (losses) gains – net		**(37)**	(174)	**13**	(194)
Other operating expenses		**(5,504)**	(3,290)	**(12,249)**	(7,121)
Operating profit	*10*	**4,652**	1,968	**10,190**	7,427
Finance costs – net	*11*	**(123)**	(213)	**(150)**	(415)
Profit before income tax		**4,529**	1,755	**10,040**	7,012
Income tax expenses	*12*	**(982)**	(571)	**(2,268)**	(1,620)
Profit and total comprehensive income for the period		**3,547**	1,184	**7,772**	5,392
Attributable to:					
Owners of the Company		**3,323**	818	**6,904**	4,723
Non-controlling interests		**224**	366	**868**	669
		3,547	1,184	**7,772**	5,392
Earnings per share					
– Basic and diluted *(HK cents)*	*13*	**1.63**	0.41	**3.40**	2.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2011

	Notes	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**18,131**	21,938
Rental deposits		**5,326**	5,387
Prepayment for acquisition of property, plant and equipment		**114**	429
Deferred income tax assets		**999**	999
		24,570	28,753
Current assets			
Inventories		**3,750**	3,393
Trade receivables	*16*	**280**	459
Deposits, prepayments and other receivables		**17,501**	7,974
Income tax recoverable		**281**	281
Amount due from a related company	*22*	**–**	670
Amounts due from directors	*22*	**–**	2,604
Amount due from a non-controlling shareholder of a subsidiary	*22*	**–**	1,100
Financial assets at fair value through profit or loss		**918**	905
Pledged bank deposit		**1,500**	1,500
Cash and cash equivalents		**10,420**	16,968
		34,650	35,854
Total assets		**59,220**	64,607
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**380**	–
Reserves	*20*	**2,191**	18,667
		2,571	18,667
Non-controlling interests		**2,875**	2,007
Total equity		**5,446**	20,674

	Notes	As at 30 June 2011 HK$'000 (Unaudited)	As at 31 December 2010 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs		**2,266**	2,209
Deferred income tax liabilities		**33**	33
		2,299	2,242
Current liabilities			
Trade payables	*17*	**7,551**	9,769
Other payables, accruals and deposits received		**20,499**	12,684
Income tax payable		**3,428**	6,246
Amounts due to directors	*22*	**–**	12,988
Amounts due to non-controlling shareholders of a subsidiary	*22*	**–**	4
Bank borrowings	*18*	**19,997**	–
		51,475	41,691
Total liabilities		**53,774**	43,933
Total equity and liabilities		**59,220**	64,607
Net current liabilities		**(16,825)**	(5,837)
Total assets less current liabilities		**7,745**	22,916

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	Attributable to owners of the Company					
	Share capital *HK$'000* (Unaudited)	**Capital reserve** *HK$'000* (Unaudited)	**Retained earnings** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)	**Non-controlling interests** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Balance at 1 January 2011	**–**	**486**	**18,181**	**18,667**	**2,007**	**20,674**
Issue of new share of the Company	**–**	**–**	**–**	**–**	**–**	**–**
Reorganisation	**380**	**(380)**	**–**	**–**	**–**	**–**
Profit and total comprehensive income for the period	**–**	**–**	**6,904**	**6,904**	**868**	**7,772**
Dividends *(Note 14)*	**–**	**–**	**(23,000)**	**(23,000)**	**–**	**(23,000)**
Balance at 30 June 2011	**380**	**106**	**2,085**	**2,571**	**2,875**	**5,446**
Balance at 1 January 2010	–	486	9,709	10,195	737	10,932
Profit and total comprehensive income for the period	–	–	4,723	4,723	669	5,392
Dividends *(Note 14)*	–	–	(756)	(756)	(24)	(780)
Balance at 30 June 2010	–	486	13,676	14,162	1,382	15,544

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash flows generated from operating activities	**9,863**	615
Net cash used in investing activities	**(323)**	(7,029)
Net cash used in financing activities	**(16,088)**	(5,305)
Net decrease in cash and cash equivalents	**(6,548)**	(11,719)
Cash and cash equivalents at beginning of period	**16,968**	13,802
Cash and cash equivalents at end of period, represented by bank balances and cash	**10,420**	2,083

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

Notes:

1 GENERAL INFORMATION AND REORGANISATION

1.1 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 were listed on GEM of the Stock Exchange on 8 July 2011. In the opinion of the Directors, the ultimate holding company of the Company is KMW Investments Limited ("KMW'') which is incorporated in the British Virgin Islands and wholly-owned by Mr. Wong Kwan Mo and his spouse, Ms. Lau Lan Ying (the "Ultimate Shareholders").

The registered office and principal place of business of the Company are located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Shop 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories.

The Company is an investment holding company. The Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong (the "Chinese Restaurants Business").

1.2 Reorganisation

Under a group reorganisation scheme (the "Reorganisation") in June 2011 to rationalise the structure of the Group in preparation for the listing of the Shares on GEM of the Stock Exchange (the "Listing"), the Company became the holding company of the companies now comprising the Group.

Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus dated 30 June 2011 issued by the Company (the "Prospectus").

The Reorganisation involved business combinations of entities under common control. Accordingly, the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 (the "Interim Financial Statements") and the related notes thereto have been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). On this basis, the Interim Financial Statements, including comparative figures, are presented as if the current group structure had been in existence throughout the six months ended 30 June 2010 and 2011, or since their respective dates of incorporation, where this is a shorter period.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with 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") and with Hong Kong Accounting Standards ("HKAS") 34, Interim Financial Reporting, issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the accountants' report included in the Prospectus, except for adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the accountants' report included in the Prospectus.

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

As at 30 June 2011, the Group had net current liabilities of approximately HK$16,825,000. Taking into account the financial resources available to the Group, including internally generated funds, the estimated net proceeds of approximately HK$62,100,000 of the Placing and the available banking facilities, the Directors consider that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKAS 34 (Amendment) "Interim Financial Reporting"

It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The adoption of the other new 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 Interim Financial Statements:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised)	Employee Benefits[3]
HKAS 27 (Revised)	Separate Financial Statements[3]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[3]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 July 2012.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of and financial position.

4. ESTIMATES

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to accountants' report included in the Prospectus.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the accountants' report included in the Prospectus.

There have been no changes in any risk management policies.

5.2 Liquidity risk

As compared to the year ended 31 December 2010, there is no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2011. The maturity dates of all financial liabilities are repayable on demand or within one year as at the end of each of the reporting periods.

5.3 Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at the end of each of the reporting periods.

The financial instruments measured at fair value are disclosed by the following measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market, which primarily represented the investment funds, is determined by using valuation techniques using observable market data. The fair value measurement for such investment funds are included in level 2.

During the interim period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. There were also no reclassifications of financial assets.

6. SEASONALITY OF OPERATIONS

Chinese wedding banquets are generally less popular in the months of July and August as the Chinese ghost festival usually falls within these months and it is considered inauspicious to get married. Accordingly, the revenue generated may be affected.

7. SEGMENT INFORMATION

The chief operating decision-makers (the "CODM") have been identified collectively as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The CODM have determined the operating segments based on these reports.

The Group is principally engaged in the Chinese Restaurants Business. Information reported to the CODM for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment – operation of a chain of Chinese restaurants in Hong Kong, and segment disclosures are not presented.

8. REVENUE AND OTHER INCOME

	For the three months ended 30 June		**For the six months ended 30 June**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue				
Chinese restaurant operations	**63,964**	45,591	**130,664**	95,681
Other income				
Sub-letting income	**150**	160	**300**	320
Management fee income from a related company *(Note 22)*	**–**	168	**–**	335
Sundry income	**17**	1	**45**	1
	167	329	**345**	656

9. EMPLOYEE BENEFITS EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries, wages and allowances	**16,510**	12,728	**33,973**	25,001
Pension costs – defined contribution plans	**795**	572	**1,605**	1,085
Provision for unutilised annual leave	**154**	74	**692**	458
Other employee benefits	**282**	423	**765**	947
	17,741	13,797	**37,035**	27,491

10. OPERATING PROFIT

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Operating profit is stated after charging the following:				
Kitchen consumables	**809**	751	**1,724**	1,563
Cleaning expenses	**397**	367	**775**	699
Listing expenses	**1,672**	–	**3,683**	–

None of the directors received any fees or emoluments in respect of their services to the Group during the six months ended 30 June 2010 and 2011.

11. FINANCE COSTS – NET

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Finance costs:				
– Bank loans	**(87)**	(157)	**(87)**	(320)
– Bank overdrafts	**(7)**	(42)	**(8)**	(76)
– Unwinding of discount of provision for reinstatement cost	**(29)**	(20)	**(57)**	(37)
	(123)	(219)	**(152)**	(433)
Finance income:				
– Cash at banks	**–**	6	**2**	18
Finance costs – net	**(123)**	(213)	**(150)**	(415)

12. INCOME TAX EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current income tax	**982**	571	**2,268**	1,620

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2011.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2011 are based on the unaudited consolidated profit of approximately HK$3,323,000 and HK$6,904,000 attributable to owners of the Company for the three months and six months ended 30 June 2011 respectively (three months and six months ended 30 June 2010: HK$818,000 and HK$4,723,000 respectively) and the weighted average number of ordinary shares of 204,505,000 and 203,260,000 (three months and six months ended 30 June 2010: 202,000,000 and 202,000,000 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.

14. DIVIDENDS

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Dividends	**7,000**	390	**23,000**	780

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

On 8 March 2011 and 11 May 2011, interim dividends amounting to HK$16,000,000 and HK$7,000,000 was declared and paid by Gayety Limited, a subsidiary of the Company, to its sole shareholder prior to the Reorganisation.

15. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, additions of property, plant and equipment amounted to approximately HK$638,000 (additions for the year ended 31 December 2010: HK$15,369,000).

16. TRADE RECEIVABLES

The carrying amounts of trade receivables approximate their fair values. The aging analysis of these trade receivables is as follows:

	As at 30 June 2011 ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Current to 30 days	**220**	435
31 to 60 days	**8**	2
61 to 90 days	**7**	4
More than 90 days	**45**	18
	280	459

The Group's sales are mainly conducted in cash or by credit cards. The trade receivables included in the above aging analysis are considered not impaired as there is no recent history of default. As at the end of each of the reporting periods, no trade receivables were past due or impaired and no provision for impairment of trade receivables was made.

The carrying amounts of the Group's trade receivables are denominated in Hong Kong dollars.

17. TRADE PAYABLES

	As at 30 June 2011 ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Trade payables – third parties	**6,161**	8,304
Trade payables – related parties *(Note 22)*	**1,390**	1,465
	7,551	9,769

The aging analysis of trade payables based on invoice dates is as follows:

	As at 30 June 2011 ***HK$'000*** **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Current to 30 days	**5,023**	6,889
31 to 60 days	**2,528**	2,879
61 to 90 days	**–**	1
	7,551	9,769

Payment terms granted by suppliers are mostly 45 days after the end of the month in which the relevant purchases are made.

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

18. BANK BORROWINGS

	As at 30 June 2011 *HK$'000* (Unaudited)	As at 31 December 2010 *HK$'000* (Audited)
Secured bank overdrafts at floating rates	**4,997**	–
Secured bank loan at floating rates and repayable within one year	**15,000**	–
	19,997	–

The Group's bank borrowings as at 30 June 2011 were all denominated in Hong Kong dollars. The interest rates of the Group's bank borrowings are 1% per annum over the Hong Kong Prime Rate. The weighted average effective interest rates as at the end of each of the reporting periods are as follows:

	As at 30 June 2011 *HK$'000* (Unaudited)	As at 31 December 2010 *HK$'000* (Audited)
Bank borrowings	**6.25%**	–

As at 31 December 2010 and 30 June 2011, the Group had aggregate banking facilities of approximately HK$6,500,000 and HK$21,500,000 for loans, overdrafts and other facilities. Unused facilities as at the same dates amounted to approximately HK$5,000,000 and HK$3,000 respectively. These facilities were secured by:

(a) The Group's bank deposit amounting to HK$1,500,000 as at 31 December 2010 and 30 June 2011; and

(b) Corporate guarantees up to HK$20,000,000 plus interest and charges duly executed by the Company as at 30 June 2011.

The fair values of the Group's bank borrowings approximated their carrying amounts.

19. SHARE CAPITAL

	Notes	Number of shares	Nominal value *HK$'000*
Ordinary shares of HK$0.01 each			
Authorised			
At incorporation	*(a)*	38,000,000	380
Increase in authorised share capital under the Reorganisation	*(b)*	962,000,000	9,620
		1,000,000,000	10,000
Issued			
At incorporation	*(a)*	1	–
Issue of shares under the Reorganisation	*(b)*	37,999,999	380
		38,000,000	380

Notes:

(a) As at date of incorporation of the Company on 10 February 2011, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 par value each. On the same date, one Share was subscribed, nil-paid, by a nominee company which was an independent third party. On the same date, the said one nil-paid Share was transferred to KMW. On 24 June 2011, the said one nil-paid Share was fully paid up by KMW and such nil-paid Share was credited as one fully paid Share of HK$0.01 par value.

(b) The authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of 962,000,000 new Shares pursuant to a resolution passed on 25 June 2011. On the same date, 37,999,999 Shares, credited as fully paid, were issued to KMW.

All new Shares issued rank pari passu with the existing shares in all respects.

20. RESERVES

The capital reserve of the Group represents the share capital of the companies comprising the Group prior to the Reorganisation.

After the Reorganisation, such reserve represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Reorganisation.

21. COMMITMENTS

(a) Capital commitments

Capital commitments in respect of property, plant and equipment as at the end of each of the reporting periods are as follows:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
Contracted but not provided for	**118**	241
Authorised but not contracted for	**18,000**	18,000
	18,118	18,241

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
No later than 1 year	**19,891**	21,372
Later than 1 year and no later than 5 years	**60,838**	70,360
Over 5 years	**5,628**	10,800
	86,357	102,532

(c) Minimum operating lease payments receivable

Minimum lease payments under non-cancellable operating leases in respect of a property are receivable as follows:

	As at 30 June 2011 *HK$'000* **(Unaudited)**	As at 31 December 2010 *HK$'000* (Audited)
No later than 1 year	**–**	300

22. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Transactions with connected and related parties

Details of transactions between the Group and the connected and related parties are disclosed below.

The Group had the following significant transactions with its connected and related parties during the periods:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)	**2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
Continuing transactions				
Rental expenses to				
– a company owned by the Ultimate Shareholders *(Note 1)*	**725**	725	**1,450**	1,450
Purchases of goods from				
– companies owned by the Ultimate Shareholders *(Note 2)*	**2,268**	1,368	**4,889**	3,638

	For the three months ended 30 June		**For the six months ended 30 June**	
	2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)	**2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
Discontinued transactions				
Purchases of goods from				
– companies owned by the Ultimate Shareholders *(Note 2)*	**–**	2,578	**–**	4,891
Management fee income from				
– a company owned by the Ultimate Shareholders *(Note 3)*	**–**	168	**–**	335

Notes:

(1) Rental expenses to a connected and related company were charged according to the terms of the rental agreement entered into between the parties.

(2) Purchases of goods from connected and related companies were made on a cost basis.

(3) Management fee income from a connected and related company was charged at terms mutually agreed by the parties.

(b) Balances with connected and related parties

All non-trade nature balances due from (to) a related company/ directors/ non-controlling shareholders of a subsidiary were unsecured, interest free and had been fully settled as at 30 June 2011. As at 30 June 2011, the Group had trade payables to connected and related companies owned by the Ultimate Shareholders of approximately HK$1,390,000 (2010: HK$1,465,000). The balances were unsecured, interest free and repayable at 45 days after the end of the month in which the relevant purchases are made.

(c) Compensation of key management personnel

	For the three months ended 30 June		**For the six months ended 30 June**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries, wages and allowances	**112**	106	**257**	219
Pension costs – defined contribution plans	**5**	4	**9**	9
	117	110	**266**	228

(d) Other arrangements with connected and related parties

The Group had the following arrangements with connected and related parties as at 31 December 2010:

(1) Banking facilities available to the Group were:

(a) guaranteed by the Ultimate Shareholders;

(b) guaranteed by a company controlled by the Ultimate Shareholders;

(c) secured by certain properties held by companies controlled by the Ultimate Shareholders; and

(d) secured by a bank deposit of Ms. Lau Lan Ying.

(2) Bank borrowings of companies controlled by the Ultimate Shareholders amounting to approximately HK$35,829,000 as at 31 December 2010 were guaranteed by the Group.

All such arrangements with connected and related parties have been terminated during the six months ended 30 June 2011.

23. SUBSEQUENT EVENTS

Pursuant to resolutions in writing passed by the sole shareholder of the Company on 25 June 2011, conditional upon the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to allot and issue a total of 202,000,000 Shares credited as fully paid at par to the holders of Shares whose names appear on the register of members of the Company at 4:00p.m. on 25 June 2011 in proportion to their existing respective shareholdings by way of capitalisation of the sum of HK$2,020,000 standing to the credit of the share premium account of the Company.

On 7 July 2011, 80,000,000 Shares of HK$0.01 each of the Company were issued at HK$1.00 each by way of the Placing.

All the above Shares issued rank pari passu with other shares in issue in all respects.

The Company successfully listed its shares on the GEM of the Stock Exchange on 8 July 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first interim results after its listing on the GEM of The Stock Exchange on 8 July 2011. The successful listing has laid a solid foundation for the Group's future expansion plans and increased awareness of its brand names in Hong Kong.

Business and Financial Review

Revenue

The revenue for the six months ended 30 June 2011 amounted to approximately HK$130,664,000, an increase of approximately 36.6% as compared to that of the six months ended 30 June 2010. The increase was primarily due to the strong growth in comparable restaurant sales as well as contribution from the two newly opened restaurants in Tsuen Wan and Shatin.

During the review period, the "Red Seasons Aroma Restaurant" branded restaurants performed well. The revenue from this brand surged by approximately 63.7% to approximately HK$79,667,000 for the six months ended 30 June 2011, representing approximately 61.0% of the Group's total revenue.

In December 2010, Lam Tei Red Seasons, one of the Group's restaurants, was honoured by the Michelin Guide Hong Kong Macau 2011 with the Michelin Bib Gourmand, the Michelin Guide distinction awarded to restaurants judged to be "wonderful restaurants with top-quality cuisine at highly affordable prices". Furthermore, the "Red Seasons Aroma Restaurant" branded restuarants were awarded the "U Favorite Food Award" by U Magazine in March 2011 and "U Choice of Brand Award 2011 – Choice of Dining" by Metro Broadcast Corporation Limited in July 2011. Benefitting from the enhanced brand reputation, the revenue of Lam Tei Red Seasons increased by approximately 30.5%, to approximately HK$22,476,000 for the six months ended 30 June 2011.

The recently opened restaurants also registered significant revenue growth. Shatin Red Seasons and Tsuen Wan Red Seasons, which were opened in January and June 2010 respectively, contributed an aggregate revenue of approximately HK$38,191,000 for the six months ended 30 June 2011, a substantial rise of approximately 191.3% compared to the last corresponding period. Tuen Mun Red Seasons also contributed a slight climb in revenue of approximately HK$676,000 for the six months ended 30 June 2011 compared to the last corresponding period.

In addition, the "Plentiful Delight Banquet Restaurant" benefited from the rising demand in large scale dining services, wedding banquets and other events and continuous improvement of the general economic condition. The revenue of the Restaurant rose to approximately HK$50,997,000 for the six months ended 30 June 2011, an increase of approximately 8.5% compared to that of the six months ended 30 June 2010.

Cost of inventories consumed

The cost of inventories consumed for the six months ended 30 June 2011 amounted to approximately HK$46,471,000, an increase of approximately 34.8% compared with that of the six months ended 30 June 2010. The rise was in line with the increase of revenue of the Group for the six months ended 30 June 2011. The cost of inventories consumed remained consistent at approximately 36% for the year ended 31 December 2010 and the six months ended 30 June 2011.

Employee benefit expenses

The employee benefits expenses for the six months ended 30 June 2011 amounted to approximately HK$37,035,000, an increase of approximately 34.7% as compared with that of the six months ended 30 June 2010. The number of staff as at 30 June 2011 was 536 (30 June 2010: 540).

Although the number of staff remained at virtually the same level for both periods, a certain number of them only commenced employment at June 2010 for the opening of Tsuen Wan Red Seasons. As Tsuen Wan Red Seasons was fully operated during the six months ended 30 June 2011, its employee benefits expenses significantly increased to approximately HK$6,407,000, a rise of approximately 23.3% over the Group's employee benefits expenses for the six months ended 30 June 2010.

Operating lease rental expenses

The operating lease rental expenses for the six months ended 30 June 2011 amounted to approximately HK$11,133,000, an increase of approximately 19.2% as compared with that of the six months ended 30 June 2010. The rise was mainly due to (i) the full operation of Tsuen Wan Red Seasons; and (ii) a new lease for the office in Yuen Long was entered into during the six months ended 30 June 2011.

Utilities expenses

The utilities expenses for the six months ended 30 June 2011 amounted to approximately HK$9,499,000, an increase of approximately 35.1% as compared with that of the six months ended 30 June 2010. The higher expenses were mainly due to the full operation of Tsuen Wan Red Seasons during the six months ended 30 June 2011 compared to that restaurant operating for only a limited period during the six months ended 30 June 2010.

Other operating expenses

The other operating expenses for the six months ended 30 June 2011 amounted to approximately HK$12,249,000, representing an increase of approximately 72.0% compared with that of the six months ended 30 June 2010. This increase was primarily due to the one-off listing expenses of approximately HK$3,683,000 and the full operation of Tsuen Wan Red Seasons during the six months ended 30 June 2011.

Operating profit and margin

The operating profit for the six months ended 30 June 2011 amounted to approximately HK$10,190,000, an increase of approximately 37.2% compared with that of the six months ended 30 June 2010. The operating profit margin maintained at approximately 7.8% during the six months ended 30 June 2010 and 2011.

Taking out the effect of one-off listing expenses, (i) the operating profit for the six months ended 30 June 2011 rocketed by approximately 86.8% compared with that of the six months ended 30 June 2010; and (ii) the operating margin increased accordingly to approximately 10.6%.

During the current period, the Group operated its restaurants successfully. Shatin Red Seasons and Tsuen Wan Red Seasons, the newly opened restaurants of the Group, achieved business turnaround. The Plentiful Delight Banquet Restaurant and Red Seasons Aroma Restaurants were also well-accepted by customers. The management of the Group resolved to improve the operating efficiency and control its expenditures. The Group increased the bulk purchases of food raw materials from the suppliers and enjoyed larger discount. The Group reviewed the work allocation of the staff from time to time to enhance the labour efficiency. The Group also entered into long term tenancy agreements to maintain the operating lease rentals at reasonable level. These factors led to an increase in both the operating profit and margin during the six months ended 30 June 2011.

Profit attributable to the owners of the Company and net profit margin

The profit attributable to owners of the Company for the six months ended 30 June 2011 amounted to approximately HK$6,904,000, an increase of approximately 46.2% compared with that of the six months ended 30 June 2010. The net profit margin improved from approximately 4.9% for the six months ended 30 June 2010 to approximately 5.3% for the six months ended 30 June 2011.

Taking out the effect of one-off listing expenses, (i) the profit attributable to owners of the Company for the six months ended 30 June 2011 rocketed by approximately 124.2% compared with that of the six months ended 30 June 2010; and (ii) the net profit margin increased accordingly to approximately 8.1%.

Prospects

The management is optimistic about the domestic catering industry in the second half of 2011 and believes the Group will continue its growth and strengthen its position as a full-service Chinese restaurant operator in Hong Kong.

Looking ahead, the Group is continuing to expand its restaurant network. The Group plans to open its sixth restaurant in Yuen Long under a new brand, "Red Royalty Banquet", in the fourth quarter of 2011. With a seating capacity of 120 banquet tables in a modern and elegant setting, "Red Royalty Banquet" targets customers looking for premium dining and deluxe Chinese wedding banquet and dining services. The Group also plans to open its seventh restaurant under the brand of "Red Seasons Aroma Restaurant" in 2013 covering an area of approximately 1,000 square metres with a seating capacity of about 40 banquet tables.

In addition, we will continue to upgrade the existing restaurants facilities and offer various training programmes to the staff to improve the dining environment and enhance customer satisfaction. To further bolster the Group's brand, more resources will be allocated to marketing and advertising activities to strengthen customer loyalty and attract new customers. With an aim to drive further growth of the Group, it will continue to explore new markets opportunities in both Hong Kong and China for extension of our services and expansion of our network.

To cope with the ongoing challenges from rising food, labour and rental cost, the Group will (i) conduct more bulk purchases of food raw materials; (ii) review the work allocation of staff timely; and (iii) enter into long term tenancy agreements. With these measures, the Group is able to keep the operating costs at reasonable level.

Capital Structure and Gearing Ratio

The capital structure of the Group consists of net debt, including bank borrowings and amounts due to directors less cash and equivalents, and the shareholders' equity of the Group. As at 30 June 2011, the capital of the Group amounted to approximately HK$15,023,000 (31 December 2010: 16,694,000).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. As at 30 June 2011, the gearing ratio was 63.7%. Gearing ratio is not applicable to the Group as at 31 December 2010 as the Group's cash and cash equivalent is larger than the amounts due to directors as at 31 December 2010.

Liquidity and Financial Resources

The net current liabilities of the Group as at 30 June 2011 were approximately HK$16,825,000 (31 December 2010: approximately HK$5,837,000).

As at 30 June 2011, the Group had aggregate banking facilities of approximately HK$21,500,000 (31 December 2010: approximately HK$6,500,000) for loans, overdrafts and other facilities. Unused facilities as at the same date amounted to approximately HK$3,000 (31 December 2010: approximately HK$5,000,000). The interest rates of the Group's bank borrowings are 1% per annum over the Hong Kong Prime Rate and repayable within one year.

Based on the current financial conditions, the management of the Group believes the cash and cash equivalents, the cash inflow from operations, the available banking facilities and the net proceeds of approximately HK$62,100,000 from the Placing enable the Group to meet its working capital, capital expenditures and other funding requirements for the foreseeable future. The management of the Group does not foresee any material capital expenditure, apart from the budgeted opening of new restaurants, in the foreseeable future. The management of the Group believes that, with the continuous net cash generated from operating activities, available banking facilities and the net proceeds from the Placing, the Group would be able to improve its liquidity position.

Foreign Exchange Exposure

Since most of the revenue and the payment of expenditure are made in Hong Kong dollars, the Directors consider that the Group is exposed to minimal foreign currency exchange risk during the period under review. The Group will continue to monitor its foreign exchange position and minimise its risk as much as possible.

Capital Expenditure and Commitment

Capital expenditure for the six months ended 30 June 2011 amounted to approximately HK$638,000 and the capital commitment as at 30 June 2011 amounted to approximately HK$18,118,000.

The capital commitment of approximately HK$18,118,000 represents mainly the additions of property, plant and equipment for Red Royalty Banquet in the second half year of 2011. Such additions will be financed by the net proceeds from the Placing.

Charges on Assets

Details of the charges on the Group's assets as at 30 June 2011 were set out in Note 18 to the Interim Financial Statements.

Contingent Liabilities

Save as the corporate guarantees executed by the Company as detailed in Note 18 to the Interim Financial Statements, there were no other significant contingent liabilities of the Group as at 30 June 2011.

Dividends

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2011.

On 8 March 2011 and 11 May 2011, interim dividends amounting to HK$16,000,000 and HK$7,000,000 were respectively declared and paid by Gayety Limited, a subsidiary of the Company, to its sole shareholder prior to the Reorganisation.

Employees Remuneration

As at 30 June 2011, the Group had 536 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

Significant Investment 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 six months ended 30 June 2011. Save for the business plan as disclosed in the Prospectus, there is no plan for material investments or capital assets as at the date of this announcement.

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The Shares of the Company were listed on GEM of the Stock Exchange on 8 July 2011 shortly after the six months ended 30 June 2011. The business objectives as listed in the Prospectus were prepared to a latest practicable date at 25 June 2011. The Board confirms that between 25 June 2011 and 30 June 2011, there was no significant progress as to the business objectives prescribed in the Prospectus.

USE OF PROCEEDS FROM THE PLACING

The Company was listed on GEM on 8 July 2011. As at 30 June 2011, the Company has not received the net proceeds from the Placing amounting to approximately HK$62,100,000.

SHARE OPTION SCHEME

Up to 30 June 2011, the Company has not adopted any share option scheme or granted any option.

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

As the shares of the Company were listed on GEM of the Stock Exchange on 8 July 2011, as at 30 June 2011, none of the Directors who had an interest and short position in shares, underlying shares or debenture of the Company and its associated corporation (with the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) was required (a) to notify 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 are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to notify the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors referred to in Rule 5.46 of the GEM Listing Rules.

Immediately following completion of the Placing and the Capitalisation Issue on 8 July 2011, the interests or short positions of the Directors in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have 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 are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange 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, will be as follows:

Long Positions in the Company

Name of Director	Capacity/nature of interest	Total number of ordinary Shares	Approximate percentage of interest
Mr. Wong Kwan Mo *(Note 1)*	Interest in controlled corporation	240,000,000	75%
Ms. Lau Lan Ying *(Note 2)*	Interest in controlled corporation	240,000,000	75%

Notes:

(1) Mr. Wong Kwan Mo is deemed to be interested in all the Shares held by KMW Investments Limited by virtue of the SFO.

(2) Ms. Lau Lan Ying is deemed to be interested in all the Shares held by KMW Investments Limited by virtue of the SFO.

Saved as disclosed above, immediately after completion of the Placing and Capitalisation Issue on 8 July 2011, 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 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 which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As the shares of the Company were listed on GEM of the Stock Exchange on 8 July 2011, as at 30 June 2011, no person or company (not being a director, chief executive or supervisor of the Company) had any interests and/or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue on 8 July 2011, other than a Director 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 will have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who are expected, directly or indirectly, to be interested in 10% 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 or any other member of the Group.

Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity/nature of interest	Total number of ordinary Shares	Approximate percentage of interest
KMW Investments Limited *(Note)*	Beneficial owner	240,000,000	75%

Note:

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

Saved as disclosed above, immediately after completion of the Placing and Capitalisation Issue on 8 July 2011, 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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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 six months ended 30 June 2011 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

Save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the six months ended 30 June 2011.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 June 2011, 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 or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company during the period under review.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any non-compliance since the listing of the Company on GEM on 8 July 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules since the listing of the Company on GEM on 8 July 2011.

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 June 2011, the audit committee of the Company consists of three members, namely Mr. Yu Ka Ho, Mr. Li Fu Yeung and Ms. Chiu Man Yee. Mr. Yu Ka Ho is the chairman of the audit committee.

The Audit Committee had reviewed the unaudited condensed interim financial statements for the six months ended 30 June 2011 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, 11 August 2011

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