喜尚控股有限公司

Gayety Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8179

2013

Annual Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Wong Kwan Mo *(Chairman)*
Ms. Lau Lan Ying *(Chief executive officer)*

Independent non-executive Directors
Mr. Li Fu Yeung
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William
(appointed on 2 September 2013)
Mr. Ho Chun Fai
(resigned on 2 September 2013)

Compliance Officer

Ms. Lau Lan Ying

Authorised Representatives

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

Company Secretary

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

Audit Committee Members

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

Remuneration Committee Members

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

Nomination Committee Members

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

Legal Advisers to the Company

Pinsent Masons

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office, Headquarters and Principal Place of Business in Hong Kong

Shop No. 46, Ground Floor
Ho Shun Tai Building
No. 10 Sai Ching Street
Yuen Long
New Territories
Hong Kong

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Company Website

www.gayety.com.hk

GEM Stock Code

8179

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Gayety Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2013.

Financial Results

For the year ended 31 December 2013, the Group recorded a turnover of HK$386,262,000, an increase of 8% from HK$357,844,000 as reported last year. The increases in turnover were mainly due to the growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to the owners of the Company rose to HK$23,758,000, a modest increase of 2% from HK$23,393,000 as reported last year. Basic earnings per share were HK$0.74 cents (2012: HK$0.73 cents).

Dividend

In view of the Group's satisfactory business performance, the Board recommended and paid an interim dividend of HK$0.3125 cents per ordinary share, representing a distribution of approximately 43% of the Group's profit for the year. We remain committed to deliver satisfactory returns to our equity holders.

Business Review

The Group has achieved stable growth in 2013. During the year, the Group has established two new restaurants, the Sai Wan Red Seasons and Olympian City Home-made Cuisine. We are now operating ten restaurants under four brands, namely Red Seasons Aroma Restaurants ("Red Seasons"), Plentiful Delight Banquet Restaurant ("Plentiful Delight Banquet"), Red Royalty Banquet Restaurant ("Red Royalty") and Home-made Cuisine Restaurants ("Home-made Cuisine").

The four brands of the Group have differentiated target markets and positioning which the management believes can address the various needs of the customers and enlarge its market share within the industry.

Being renowned for its ancient Chinese cuisine, turnover generated from Red Seasons increased by approximately 5% as compared to last year. The demand for deluxe banquet and premium dining services is steady. Turnover generated from Red Royalty and Plentiful Delight Banquet has increased approximately 3% as compared to last year. Home-made Cuisine recorded turnover of approximately HK$14,408,000, representing a significant increase of approximately 689%. The increase was mainly due to the opening of the new Home-made Cuisine restaurant in Olympian City.

The adherence to our commitment of delivering consistently high quality food has been a key to the success of the Group's restaurant business. Our signature dish, the roast suckling pig stuffed with glutinous rice and dried prawns ("roast suckling pig"), has been widely acclaimed by numerous customers and extensively covered through positive reviews in the media, including a commendation by the Michelin Guide Hong Kong and Macau in 2011 and 2012.

CHAIRMAN'S STATEMENT

During the year, the management has launched a new marketing campaign for promoting our roast suckling pig. The slogan "Enjoy the Birthday Pig on your birthday" and Mr. Piglet (the character portraying the roast suckling pig) have attracted widespread attention. Coupled with our piglet voucher scheme, the Group has achieved a higher headcount and average spending per customer.

The Group also renovated two existing restaurants, Tuen Mun Red Seasons and Shatin Red Seasons, and enhanced the store decor. With an upgraded lively contemporary decor, these stores have successfully enticed customers to pay more frequent visits.

Prospects

Given the uncertainties in the global economy, consumer sentiment in Hong Kong has become weaker. The Group is adopting a cautious approach in strengthening the restaurant business.

We will continue our efforts to identify suitable locations for new restaurants. We will review the business performance and efficiency of each restaurant regularly, undertake appropriate improvements and implement effective cost control measures.

We realise the growing opportunities for business expansion in the People's Republic of China (the "PRC"). In parallel with its rapid economic growth, PRC residents have both higher consuming power and demands for quality Chinese food and services than before. The Board believes Hong Kong-style food has a huge pent-up demand in the PRC and the Group can leverage its brand recognition and extensive catering experience in Hong Kong to explore catering business in the PRC. We are now in the preliminary stage of establishing two eateries featuring a wide variety of Hong Kong-style cuisine in Shanghai. The Group is to commence this catering business under a new brand. By encompassing these wide-ranging valuable experiences, the new brand will provide a selection of delicious Hong Kong-style menu items that are irresistible to the PRC customers. The management believes these new restaurants provide a golden opportunity for the Group to tap the PRC market.

Appreciation

Finally, I would like to thank our shareholders, customers and business partners for their support and trust. I would also like to express my appreciation to my fellow Directors, management and staff for their dedication and hard work. We remain steadfastly committed to enhance the Group's profitability and create value to our shareholders.

Wong Kwan Mo
Chairman

Hong Kong, 25 March 2014

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out as follows:

Executive Directors

Mr. Wong Kwan Mo (黃君武先生) ("Mr. Wong KM"), aged 57, the founder of the Group, is the chairman of the Board and an executive Director. He was appointed an executive Director on 10 February 2011. Mr. Wong KM is an accomplished restaurateur who has over 30 years of operating experience in the food industry. Mr. Wong KM has been responsible for the overall management, business development and strategic planning of the Group since its establishment in 2006. Mr. Wong KM is the husband of Ms. Lau LY and a Controlling Shareholder.

Ms. Lau Lan Ying (劉蘭英女士) ("Ms. Lau LY"), aged 50, is the chief executive officer of the Board and an executive Director. She was appointed an executive Director on 10 February 2011. She is also the compliance officer of the Company. Ms. Lau LY has over 15 years of operating experience in the food industry, including mainly her involvement in the financial management of the fresh meat supply companies operated by Mr. Wong KM. Ms. Lau LY has been responsible for the overall strategic management in finance, accounting, human resources and marketing of the Group since 2006. Ms. Lau LY is a Controlling Shareholder.

Independent Non-Executive Directors

Mr. Li Fu Yeung (李富揚先生), aged 34, was appointed an independent non-executive Director on 25 June 2011. He is also the chairman of the nomination committee and audit committee of the Company and a member of the remuneration committee of the Company. Mr. Li has over 9 years of experience in the financial industry. Since 2004, Mr. Li has worked in Manulife (International) Limited and his current position is Unit Manager and is responsible for the sales and marketing of insurance related product. Mr. Li obtained a diploma in computer science from the Sydney Institute of Business and Technology in 2001.

Ms. Chiu Man Yee (趙曼而女士), aged 33, was appointed an independent non-executive Director on 25 June 2011. She is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Ms. Chiu has over 12 years of accounting and financial experience accumulated from working for various professional accounting firms. She is currently working at the department of Business Analytic, Commercial Asia Pacific as a manager in ANZ Bank. Ms. Chiu obtained a bachelor's degree in finance and marketing from The Hong Kong University of Science and Technology in 2002. She is currently a member of Hong Kong Institute of Certified Public Accountants.

Mr. Kwan Wai Yin, William (關偉賢先生), aged 38, was appointed an independent non-executive Director on 2 September 2013. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Kwan possesses extensive experience in marketing and sales. He was the Vice President of the corporate sales department of Sun Hung Kai Financial Group from August 2006 to November 2008. From February 2009 to August 2012, he was a sales manager of a private trading company. After which, Mr. Kwan has been operating a tailor business since August 2012. Mr. Kwan obtained his Bachelor of Arts Degree in Economics from York University, Ontario, Canada.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Wong Tin King, Richard (黃天競先生), *CPA, ACA* aged 36, has been appointed as the chief financial officer and the company secretary of the Company on 24 June 2011. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy in 2000. Mr. Wong has over 10 years of accounting experience accumulated from working for various professional accounting firms from 2000 to 2010. Mr. Wong is responsible for the accounting and financial functions of the Company, including developing financial strategy to support the Company's growth plan. Mr. Wong is currently an associate member of The Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group follows a business philosophy of offering high quality cuisine at highly affordable prices. It is committed to providing memorable dining experiences to its customers by delivering deliciously prepared food, outstanding menu choices and a tastefully designed dining environment. The Group has achieved stable growth during 2013. During the year, the Group has also established two new restaurants and expanded our restaurant network. As at 31 December 2013, we are operating ten restaurants under four brands and their performances are outlined below.

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 irresistable, thanks in large measure to the signature dish, roast suckling pig.

With an aim to enhance the dining atmosphere, the Group has refurbished Shatin Red Seasons and Tuen Mun Red Seasons during the year ended 31 December 2013. In September 2013, the Group further extended the Red Seasons network to Pacific Plaza, Sai Wan.

During the year under review, the turnover from the Red Seasons restaurants increased by around 5% to approximately HK$206,911,000 as compared to the previous year.

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 year under review, Plentiful Delight Banquet recorded revenue of approximately HK$89,147,000.

Red Royalty

Red Royalty provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty's scale of operations is the largest within the Group's existing restaurants with a seating capacity of 120 banquet tables and can serve up to 1,400 guests on a single occasion. During the year ended 31 December 2013, Red Royalty generated revenue of approximately HK$75,796,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty increased by around 3% as compared to last year.

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 choices for those seeking a healthy nutritious meal. The second restaurant under the brand of Home-made Cuisine is located in Olympian City and commenced business in March 2013. During the year ended 31 December 2013, Home-made Cuisine generated turnover of approximately HK$14,408,000.

Financial Review

During the year ended 31 December 2013, the Group's revenue amounted to approximately HK$386,262,000, representing an increase of approximately 8% as compared to the last year. This was mainly attributable to the growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to owners of the Company increased by approximately 2% to approximately HK$23,758,000, representing a profit margin of around 6% (2012: 7%).

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

The cost of inventories consumed for the year ended 31 December 2013 amounted to approximately HK$117,336,000 (2012: HK$118,553,000). 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 30% of the Group's revenue.

Employee benefits expenses were approximately HK$118,719,000 (2012: HK$110,708,000). The increase was mainly due to the newly opened Sai Wan Red Seasons and Olympian City Home-made Cuisine, and the wage adjustments to retain experienced staff under the inflationary environment during the year under review. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the year ended 31 December 2013 amounted to approximately HK$43,453,000, representing an increase of around 21% as compared to last year. The increase was mainly due to the newly opened Sai Wan Red Seasons and Olympian City Home-made Cuisine. To better manage the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook and prospects

Given the uncertainties in the global economy, consumer sentiment in Hong Kong has been weakened. In order to succeed and deliver the best to shareholders, management will closely monitor the market situation and enhance the business operations.

The management is committed to bolster the customer base. During the year, two new restaurants, Sai Wan Red Seasons and Olympian City Home-made Cuisine, were established. The Group continues to search for suitable sites with high traffic flow and reasonable rentals for expansion. Meanwhile, the Group is also continuously developing appetising specialty dishes as well as providing better quality services to customers so as to solidify the Group's market position.

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

The management realises the growing opportunities for business expansion in the PRC. In parallel with its rapid economic growth, PRC residents have both higher consuming power and demands for quality Chinese food and services than before. The Board believes Hong Kong-style food has a huge pent-up demand in the PRC and the Group can leverage its brand recognition and extensive catering experience in Hong Kong to explore catering business in the PRC. The Group is now in the preliminary stage of establishing two eateries featuring a wide variety of Hong Kong-style cuisine in Shanghai. The Group is to commence this catering business under a new brand. By encompassing these wide-ranging valuable experiences, the new brand will provide a selection of delicious Hong Kong-style menu items that are irresistible to the PRC customers. The management believes these new restaurants provide a golden opportunity for the Group to tap the PRC market.

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2013, the share capital and equity attributable to owners of the Company amounted to approximately HK$3,200,000 and HK$124,411,000 respectively (2012: HK$3,200,000 and HK$110,205,000 respectively). Details of the capital risk management are set out in the Note 5 to the consolidated financial statements.

Cash position

As at 31 December 2013, the carrying amount of the Group's unpledged bank balances and cash was approximately HK$65,612,000 (2012: approximately HK$61,088,000), representing an increase of approximately 7% as compared to that as at 31 December 2012.

The pledged bank deposit as at 31 December 2012 and 2013 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group.

Bank Borrowing and charges on the Group's assets

Details of bank borrowing and charges on the Group's assets as at 31 December 2013 are set out in Note 22 to the consolidated financial statements.

Gearing ratio

The gearing ratio is calculated as net debt (bank borrowing less bank balances and cash) divided by the total of net debt and total equity. Gearing ratios are not applicable to the Group as at 31 December 2012 and 2013 as the amount of the Group's bank balances and cash is more than the bank borrowing.

Exchange Rate Exposure

Since most of the revenue and expenditure are made in Hong Kong dollars, the Group is not exposed to significant foreign exchange exposure.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2013. Save for the business plan as disclosed in the Annual Report, there is no plan for material investments or capital assets as at 31 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities (2012: nil).

Capital Commitments

Details of capital commitments of the Group as at 31 December 2013 are set out in Note 28 to the consolidated financial statements.

Employees and Emolument Policies

The Group had 749 employees (including Directors) as at 31 December 2013 (2012: 705). The Group recruits and promotes individuals based on their performance and development potential in the positions held. 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. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board. In addition, the Group adopted a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of Business Plan with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Company's prospectus dated 30 June 2011 (the "Prospectus") with actual business progress for the year ended 31 December 2013.

	Business plan up to 31 December 2013 as set out in the Prospectus	Actual business progress up to 31 December 2013
Diversify service and product offerings with the implementation of a new branding strategy		
Open of Red Royalty	Open of the Group's sixth restaurant in Yuen Long under Red Royalty, which will become the third brand established by the Group, targeting customers looking for premium and deluxe Chinese wedding banquet and dining services.	The Group has established Red Royalty in December 2011.
Open of another one new restaurant	Open one more restaurant under the brand of Red Seasons in early 2013, with an expected saleable area of approximately 1,000 square meters.	The Group's seventh restaurant under the brand of Red Seasons was established in March 2012.
Opening of other food outlets	Increase the source of income by horizontal expansion to reach a more diversified group of customers.	The Group has established its fourth brand "Home-made Cuisine". The first Home-made Cuisine is located in Wanchai and commenced business in July 2012.
Upgrade existing restaurant facilities		
Upgrade existing restaurant facilities	Enhance the Group's existing restaurant equipments, utensils and general supplies in existing restaurants with the aim to provide its customers with comfortable dining environment.	The Group has purchased various restaurant equipments, utensils and general supplies in existing restaurants to provide its customers with comfortable dining environment. During the year ended 31 December 2013, the Group has refurbished Shatin Red Seasons and Tuen Mun Red Seasons.

MANAGEMENT DISCUSSION AND ANALYSIS

Strengthen staff training

Strengthen staff training	Provide staff training to (i) improve customer service, (ii) enhance food knowledge, food safety and personal hygiene, (iii) maximise management efficiency, (iv) promote unique concept and style and (v) strengthen value-added service of the management and staff of the Group.	The Group has appointed external professional party and recruited internal training manager to provide on-the-job training to its employees.

Enhance marketing activities to promote brand awareness

Enhance marketing activities to promote brand awareness	Strengthen the marketing efforts in promoting its brands in terms of brand-building, advertising and other means of promotion.	The Group has arranged regular advertising campaigns to promote the Group's business and its brands.

Formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China

Formation of strategic partnerships with reputable partners in Hong Kong and China	Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China.	The Group has been cautiously identifying suitable partners for future business development in Hong Kong and China. The Group is now in the preliminary stage of establishing two eateries featuring a wide variety of Hong Kong-style cuisine in Shanghai.

The net proceeds from the placing ("Placing") were approximately HK$63.5 million, which was based on the final placing price of HK$1.0 per share and the actual expenses related to the listing. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the Placing from the date of listing (i.e. 8 July 2011) (the "Listing Date"), to 31 December 2013 had been applied as follows:

	Use of proceeds as shown in the Prospectus from the Listing Date to 31 December 2013 *HK$ million*	**Actual use of proceeds from the Listing Date to 31 December 2013** *HK$ million*
Diversify service and product offerings with the implementation of a new branding strategy	46.4	46.4
Upgrade existing restaurant facilities	1.4	1.4
Strengthen staff training	2.6	2.6
Enhance marketing activities to promote brand awareness*(Note i)*	4.1	1.8
Formation of strategic partnerships with reputable partners in Hong Kong and China *(Note ii)*	2.7	–
Working capital	6.3	6.3
Total	63.5	58.5

Notes:

(i) The Group has conducted the marketing promotions in a cost effective way. Thus, actual use of proceeds is lesser.

(ii) In respect of the formation of strategic business partnerships, the Group has been cautiously identifying suitable partners for future business development in Hong Kong and China. The Group is now in the preliminary stage of establishing two eateries featuring a wide variety of Hong Kong-style cuisine in Shanghai.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

DIRECTORS' REPORT

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Principal Activities

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 10 February 2011.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 32 to the consolidated financial statements. The Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong (the "Chinese Restaurants Business").

Segmental Information

The Group is engaged in a single segment, the operation of a chain of Chinese restaurants in Hong Kong. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board as they collectively make strategic decision in allocating the Group's resources and assessing performance.

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.

Results and Dividend

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 39 to 93.

During the year ended 31 December 2013, an interim dividend of HK$0.3125 cents (2012: nil) per share totalling HK$10,000,000 were declared and paid.

During the year ended 31 December 2013, there was no arrangement under which any shareholder waived or agreed to waive any dividend.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2013. Further details of dividend are set out in Note 13 to the consolidated financial statements.

DIRECTORS' REPORT

Annual General Meeting

The 2014 annual general meeting (the "2014 AGM") will be held on Friday, 16 May 2014. A circular containing the details of 2014 AGM and the notice of 2014 AGM and form of proxy accompanying thereto will soon be despatched to shareholders.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$78,940,000. The amount of HK$78,940,000 includes the Company's share premium, capital reserve and retained earnings which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

Interest Capitalised

No interest was capitalised by the Group during the year ended 31 December 2013.

DIRECTORS' REPORT

Summary of Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group, as extracted from the consolidated financial statements, is set out on page 94 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

Share Capital

Details of the Company's share capital and movements during the year are set out in Note 25 to the consolidated financial statements.

Pre-emptive Rights

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major Customers and Suppliers

Due to the nature of the Group's business, the majority of its customers consist of walk-in customers. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group. The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	11%
Five largest suppliers in aggregate	40%

Save for the purchases from Wong Yuen Hing Fresh Food Company Limited (which is owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY), none of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the major suppliers disclosed above.

DIRECTORS' REPORT

Directors

The Directors during the year and up to the date of this Annual Report are as follows:

Executive Directors

Mr. WONG KM *(Chairman)*
Ms. LAU LY *(Chief executive officer)*

Independent Non-Executive Directors

Mr. LI Fu Yeung	
Ms. CHIU Man Yee	
Mr. KWAN Wai Yin, William	(appointed on 2 September 2013)
Mr. HO Chun Fai	(resigned on 2 September 2013)

Pursuant to article 83(3) of the Company's articles of association, Mr. Kwan Wai Yin, William shall retire from office as Director at the conclusion of the 2014 AGM and, being eligible, offer himself for re-election at the 2014 AGM.

Pursuant to article 84 of the Company's articles of association, Mr. Li Fu Yeung and Ms. Chiu Man Yee shall retire from office as Directors by rotation at the 2014 AGM and, being eligible, offer themselves for re-election at the 2014 AGM.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 6 and 7 of this Annual Report.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he or she has agreed to act as an executive Director for a fixed term of one year with effect from the Listing Date and will not receive any remuneration for holding his or her office as an executive Director. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least one month's written notice of non-renewal before the expiry of the then existing term.

The Company has issued an appointment letter to each of the independent non-executive Directors for a fixed term of one year commencing from the Listing Date (except for Mr. Kwan Wai Yin, William whose term commenced from 2 September 2013). The appointment can be terminated by either the Company or the independent non-executive Director giving to the other party not less than one month's prior written notice. The Company and the independent non-executive Director shall discuss whether to renew the term of appointment of the independent non-executive Director prior to the expiration of the relevant term of appointment. If either party disagrees with the renewal of the term of appointment of the independent non-executive Director, such party shall notify the other party in writing at least two months prior to the expiration of the relevant term of appointment. Subject to the consent of both parties, the term of appointment of the independent non-executive Director may be renewed automatically for one year on expiry of the initial term and for successive terms of one year each commencing on expiry of the then current term.

Save as disclosed above, none of the Directors being proposed for re-election at the 2014 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Independence Confirmation

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors is independent.

Emoluments of Directors and Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 12 to the consolidated financial statements.

Management Contracts

As at 31 December 2013, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

Emolument Policy

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.

The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in Note 26 to the consolidated financial statements.

Retirement Benefit Scheme

Details of the retirement benefit scheme of the Group are set out in Note 29 to the consolidated financial statements.

Share Option Scheme

The Company's existing share option scheme (the "Share Option Scheme") was approved for adoption on 9 December 2011 and valid for the next ten years.

The Company had not granted any option under the Share Option Scheme since its adoption.

As at 31 December 2013, the Company had not granted any right to subscribe for equity or debt securities of the Company to any Directors or chief executive of the Company or their spouse or children under 18 years of age.

Directors' Interests in Contract

Saved as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests 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 year or at 31 December 2013.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations

As at 31 December 2013, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Company

Name of Directors	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong KM *(Note)*	Interest in controlled corporation	1,665,208,000	52%
Ms. Lau LY *(Note)*	Interest in controlled corporation	1,665,208,000	52%

Note:

1,415,208,000 and 250,000,000 shares are owned by KMW Investments Limited ("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 KM and 50% by Ms. Lau LY.

Saved as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' 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 year ended 31 December 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2013, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following person has 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	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest
KMW *(Note)*	Beneficial owner	1,415,208,000	44%
Strong Light Investments Limited *(Note)*	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 KM and 50% by Ms. Lau LY.

Saved as disclosed above, as at 31 December 2013, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

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 year ended 31 December 2013.

Compliance Adviser's Interest in the Company

As at 31 December 2013, as notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 June 2011, 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.

Connected Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2013 are disclosed in Note 30 to the consolidated financial statements. Certain transactions also constitute connected transactions under the GEM Listing Rules, as identified below.

Non-exempt Connected Transaction

Connected transaction subject to reporting and announcement requirements

Provision of loan to KMW

On 18 January 2012, the Company entered into a loan agreement (the "Loan Agreement") with KMW, Mr. Wong KM and Ms. Lau LY, pursuant to which, the Company agreed to provide a loan (the "Loan") in the principal amount of HK$9,900,000 to KMW. The repayment of the Loan is secured by the personal guarantee provided by Mr. Wong KM and Ms. Lau LY to the Company. The Loan bears interest at Prime Rate plus 1% and is repayable in 3 years from the date of drawdown.

As at the date of provision of the Loan, KMW held 75% of the issued share capital of the Company and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the provision of the Loan constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Since certain relevant percentage ratio defined under Rule 19.04(9) of the GEM Listing Rules in relation to the Loan exceeds 5% but is less than 25%, the provision of the Loan also constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

As the total value of the Loan is less than HK$10,000,000, the provision of the Loan is also subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules but is exempt from the independent shareholders' approval requirement pursuant to Rule 20.66(2)(a) of the GEM Listing Rules.

KMW voluntarily repaid the Loan of HK$9,900,000 together with all accrued interest up to the date of repayment. During the year ended 31 December 2013, the aggregate Loan interest charged to KMW by the Company was approximately HK$566,000.

Details of the termination of the connected and discloseable transactions regarding provision of Loan to KMW are set out in the Company's announcement on 17 December 2013.

Non-exempt Continuing Connected Transactions

A. Continuing connected transaction subject to reporting, annual review and announcement requirements

Shatin Lease Agreement

Pursuant to a lease entered into between Red Seasons Corporation Limited ("RS Corporation"), an indirectly wholly owned subsidiary, and U Investments Limited ("U Investments") on 1 January 2010 (the "Shatin Lease Agreement"), RS Corporation had agreed to lease from U Investments premises situated at Shop No. 33, Level 1 and Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong and a covered carparking space (the "Shatin Property") at a monthly rent of HK$250,000 for the period from 1 January 2010 to 31 December 2014. The Shatin Property has been used by RS Corporation as the restaurant premises of Shatin Red Seasons.

U Investments is principally engaged in property investment in Hong Kong. Mr. Wong KM and Ms. Lau LY, both being Directors and Controlling Shareholders, are connected persons of the Company under the GEM Listing Rules. As each of Mr. Wong KM and Ms. Lau LY holds as to 50% of the issued share capital of U Investments, U Investments is an associate of each of Mr. Wong KM and Ms. Lau LY, and is a connected person of the Company. Therefore, the Shatin Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

The annual cap for the rent payable by RS Corporation to U Investments for the Shatin Property for each of the three years ended 31 December 2013 was HK$3,000,000.

During the year ended 31 December 2013, the aggregate rent paid by RS Corporation to U Investments for the Shatin Property amounted to HK$3,000,000.

As the waiver from the announcement requirement of Chapter 20 of the GEM Listing Rules for the three years ended 31 December 2013 is expired, the Company recompiled with all the applicable requirements under Chapter 20 of the GEM Listing Rules. Details are set out in the announcement of the Company dated 27 December 2013.

Red Royalty Lease Agreement

Pursuant to a lease entered into between Gayety Limited ("Gayety"), an indirectly wholly owned subsidiary, and Goldex Management Limited ("Goldex") on 25 November 2011 (the "Red Royalty Lease Agreement"), Gayety had agreed to lease from Goldex premises situated at First Floor Commercial Unit plus carparking space Nos. L5 on Ground Floor and 97, 98, 99 & 100 on First Floor, Manhattan Plaza, No. 23 Sai Ching Street, Yuen Long, New Territories, Hong Kong (the "Red Royalty Property") at a monthly rent of HK$580,000 for the period from 1 January 2012 to 31 December 2016. The lease term could be commenced earlier subject to the consent from both Gayety and Goldex. The Red Royalty Property has been used by Gayety as the restaurant premises of Red Royalty.

Goldex is principally engaged in property investment in Hong Kong. Mr. Wong KM and Ms. Lau LY, both the Directors and Controlling Shareholders, are connected persons of the Company under the GEM Listing Rules. As each of Mr. Wong KM and Ms. Lau LY holds to 50% of the issued share capital of Goldex, Goldex is an associate of each of Mr. Wong KM and Ms. Lau LY and is a connected person of the Company. Therefore, the Red Royalty Lease Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

The annual cap for the rent payable by Gayety to Goldex for the Red Royalty Property for each of the five years ending 31 December 2016 was HK$6,960,000.

During the year ended 31 December 2013, the aggregate rent paid by Gayety to Goldex for the Red Royalty Property was approximately HK$6,960,000.

B. Continuing connected transactions subject to reporting, annual review, announcement and independent shareholders' approval requirements

A pork supply and purchase agreement (the "Pork Supply Agreement") was entered into between Wong Yuen Hing Fresh Food Company Limited ("Wong Yuen Hing") and the Company on 25 June 2011, pursuant to which Wong Yuen Hing had agreed to sell to the Company (or any of its subsidiaries as directed by the Company) pork during the term of the Pork Supply Agreement on terms no less favourable than those offered by Wong Yuen Hing to other independent third parties. The purchase price, the quantity and specifications of the pork concerned, the time and place of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of pork in good faith. The purchase price and the other payment terms for pork will be set out in the relevant purchase orders to be placed under the Pork Supply Agreement. Such price, however, shall not be higher than the average price at which Wong Yuen Hing charges other independent third parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business.

A wine supply and purchase agreement (the "Wine Supply Agreement") was entered into between U Cellar Limited ("U Cellar") and the Company on 25 June 2011, pursuant to which U Cellar had agreed to sell to the Company (or any of its subsidiaries as directed by the Company) wine during the term of the Wine Supply Agreement on terms no less favourable than those offered by U Cellar to other independent third parties. The purchase price, the quantity and specifications of the wine concerned, the time and place of delivery and other relevant matters will be negotiated by the parties with reference to the then prevailing market prices of wine in good faith. The purchase price and the other payment terms for the wine will be set out in the relevant purchase orders to be placed under the Wine Supply Agreement. Such price, however, shall not be higher than the average price at which U Cellar charges other independent third parties for the same kind of product during that month on normal commercial terms in its ordinary and usual course of business.

Wong Yuen Hing is principally engaged in the wholesale and retail of pork in Hong Kong. U Cellar is principally engaged in the business of supply and retail of wine in Hong Kong. Mr. Wong KM and Ms. Lau LY, both the Directors and Controlling Shareholders, are connected persons of the Company under the GEM Listing Rules. As each of Mr. Wong KM and Ms. Lau LY holds as to 50% of the issued share capital of Wong Yuen Hing, Wong Yuen Hing is an associate of each of Mr. Wong KM and Ms. Lau LY, and is a connected person of the Company. As Ms. Wong Tai Ying, the daughter of Mr. Wong KM and Ms. Lau LY, owns 100% interest in U Cellar, U Cellar is an associate of Mr. Wong KM and Ms. Lau LY and is a connected person of the Company. Therefore, the transactions contemplated under the Pork Supply Agreement and the Wine Supply Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

The term of each of the Pork Supply Agreement and the Wine Supply Agreement is from 25 June 2011 to 31 December 2013. The annual cap for the amount payable by the Group to Wong Yuen Hing for the purchase of pork under the Pork Supply Agreement for each of the three years ended 31 December 2013 was HK$10,000,000, HK$12,500,000 and HK$15,000,000, respectively. The annual cap for the amount payable by the Group to U Cellar for the purchase of wine under the Wine Supply Agreement was HK$500,000 for each of the three years ended 31 December 2013.

During the year ended 31 December 2013, the aggregate amounts paid by the Group to Wong Yuen Hing for the purchase of pork under the Pork Supply Agreement and U Cellar for the purchase of wine under the Wine Supply Agreement were approximately HK$9,447,000 and HK$58,000 respectively.

The Pork Supply Agreement and Wine Supply Agreement have been renewed on 27 December 2013. The annual cap for the amount payable by the Group to Wong Yuen Hing for the purchase of pork under the renewed Pork Supply Agreement for each of the three years ending 31 December 2016 was HK$8,000,000, HK$8,500,000, and HK$9,000,000, respectively. The annual cap for the amount payable by the Group to U Cellar for the purchase of wine under the renewed Wine Supply Agreement was HK$450,000, HK$475,000, and HK$500,000 for each of the three years ending 31 December 2016. Further details of these continuing connected transactions are set out in the announcement of the Company dated 27 December 2013.

Pursuant to Rule 20.37 of the GEM Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2013 and confirmed that the continuing connected transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has also engaged the auditor of the Company to report on the continuing connected transactions pursuant to Rule 20.39 of the GEM Listing Rules and the Board has received a letter from the auditor of the Company with the following conclusions:

(1) nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions have not been approved by the Board;

(2) nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions have exceeded the respective maximum aggregate annual value as disclosed in the Prospectus and the announcement of the Company dated 25 November 2011.

Events after the Reporting Period

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2013 and up to the date of approval of this Annual Report.

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 year under review. The Company was not aware of any non-compliance during the year ended 31 December 2013.

Corporate Governance

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this Annual Report.

Sufficiency of Public Float

As at the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 31 December 2013, the audit committee of the Company consists of three members, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William. Mr. Li Fu Yeung is the chairman of the audit committee.

During the year, the Audit Committee performed duties including reviewing the Group's financial statements, audit findings, external auditor's independence and the Group's accounting principles and practices.

The Group's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2013 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Auditors

PricewaterhouseCoopers was the reporting accountants of the Company for the purpose of the listing of the Company's shares on the GEM of the Stock Exchange. PricewaterhouseCoopers resigned as auditors of the Company on 21 October 2011 and had not commenced any audit work on the consolidated financial statements of the Company for the year ended 31 December 2011.

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditors of the Company on 21 October 2011 and the consolidated financial statements for each of the three years ended 31 December 2013 were audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the 2014 AGM.

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

Hong Kong, 25 March 2014

CORPORATE GOVERNANCE REPORT

The Board has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the "CG Code") under Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2013, the Company has complied with all applicable provisions of the CG Code except the code provision A6.7.

The Company will continue to enhance its corporate governance appropriate to the conduct and growth of its business and to review its corporate governance from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

Board of Directors

Board Composition

The Board of the Company currently comprises five members, of which two are executive Directors namely Mr. Wong KM (Chairman) and Ms. Lau LY (Chief executive officer ("CEO")) and three are independent non-executive Directors namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William. Each of the Directors' respective biographical details is set out in the section headed "Biographical Details of the Directors and Senior Management" of this Annual Report.

The Board included three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise during the year ended 31 December 2013. None of the members of the Board is related to one another except Mr. Wong KM is a spouse of Ms. Lau LY.

Chairman and CEO

The roles of the Chairman and CEO are segregated and are held by Mr. Wong KM and Ms. Lau LY respectively to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and CEO of the Company which provides a balance of power and authority.

Independent non-executive Directors

The independent non-executive Directors are appointed for a fixed term of one year commencing from 8 July 2011, the Listing Date (except for Mr. Kwan Wai Yin, William whose term commenced from 2 September 2013). The appointment can be terminated by either the Company or the independent non-executive Director giving to the other party not less than one month's prior written notice. The Company and the independent non-executive Director shall discuss whether to renew the term of appointment of the independent non-executive Director prior to the expiration of the relevant term of appointment. If either party disagrees with the renewal of the term of appointment of the independent non-executive Director, such party shall notify the other party in writing at least two months prior to the expiration of the relevant term of appointment. Subject to the consent of both parties, the term of appointment of the independent non-executive Director may be renewed automatically for one year on expiry of the initial term and for successive terms of one year each commencing on expiry of the then current term. Also, the independent non-executive Directors are subject to re-election on retirement by rotation at the annual general meeting in accordance with the Company's articles of association.

The Company has received written annual confirmation from each independent non-executive Director of his/ her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 December 2013.

Role and Function of the Board

The Board is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

Delegation by the Board

The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

Board Diversity Policy

During the year under review, the Company has adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Professional Development of the Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to the newly appointed Directors before their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training. During the year ended 31 December 2013, all Directors have participated in continuous professional development by attending seminars/ in-house briefing/ reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company. These covered a broad range of topics including Directors' duties, corporate governance and recent updates on the GEM Listing Rules.

Name of Directors	Attended Seminars or Briefing/Read Materials
Executive Directors	
Mr. Wong KM	✓
Ms. Lau LY	✓
Independent non-executive Directors	
Mr. Li Fu Yeung	✓
Ms. Chiu Man Yee	✓
Mr. Ho Chun Fai (resigned on 2 September 2013)	–
Mr. Kwan Wai Yin, William (appointed on 2 September 2013)	✓

Board Meetings

Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Number of Meetings and Attendance Records

During the year ended 31 December 2013, 12 Board meetings were held, out of which 4 were regular Board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance records of each Director at the Board meetings and Board Committees' Meetings are set out in the table below:

	Meetings attended/Eligible to attend				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM held on 10 May 2013**
Executive Directors					
Mr. Wong KM	12/12	–	–	–	1/1
Ms. Lau LY	12/12	–	–	–	1/1
Independent non-executive Directors					
Mr. Li Fu Yeung	12/12	5/5	3/3	3/3	0/1
Ms. Chiu Man Yee	12/12	5/5	3/3	3/3	1/1
Mr. Ho Chun Fai (resigned on 2 September 2013)	6/6	3/3	2/2	2/2	1/1
Mr. Kwan Wai Yin, William (appointed on 2 September 2013)	6/6	2/2	1/1	1/1	–

Board Committee

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 Rules 5.28 and 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 CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference setting out the audit committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company.

As at 31 December 2013, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William. Mr. Li Fu Yeung is the chairman of the audit committee. During the year ended 31 December 2013, 5 meetings of audit committee were held for, inter alia, reviewing the Group's quarterly, interim results and annual results, the financial reporting and compliance procedures and considering the re-election of auditors of the Company and a continuing connected transaction.

Remuneration Committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with paragraph B1.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference setting out the remuneration committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; and ensure none of the Directors determine their own remuneration. The remuneration committee of the Company has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

As at 31 December 2013, the remuneration committee consists of three independent non-executive Directors, namely Ms. Chiu Man Yee, Mr. Li Fu Yeung and Mr. Kwan Wai Yin, William. Ms. Chiu Man Yee is the chairman of the remuneration committee. Details of the remuneration of Directors are set out in Note 12 to the consolidated financial statements. During the year ended 31 December 2013, 3 meetings of remuneration committee were held for, inter alia, reviewing the remuneration policy and structure, determining the annual remuneration packages of the Directors and the senior management, and determining the annual remuneration of Mr. Kwan Wai Yin, William, the newly appointed Director.

Nomination Committee

The Company established a nomination committee by the Board at the Board meeting held on 23 March 2012 with written terms of reference in compliance with paragraph A5.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 22 October 2013, the Board adopted a set of the revised terms of reference of the nomination committee of the Company in line with the newly GEM Listing Rules requirement in relation to board diversity effective from 1 September 2013. The revised terms of reference setting out the nomination committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the nomination committee are to make recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Before the nomination committee was established, all Directors are responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company. Where vacancies on the Board exist, the nomination committee (or the Board before the nomination committee was established) will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive director, the Company's needs and other relevant statutory requirements and regulations. Mr. Kwan Wai Yin, William was newly appointed as an independent non-executive Director during the year under review. He was appointed by going through the selection process stated as above.

As at 31 December 2013, the nomination committee consists of three independent non-executive Directors, namely Ms. Chiu Man Yee, Mr. Li Fu Yeung and Mr. Kwan Wai Yin, William. Mr. Li Fu Yeung is the chairman of the nomination committee. During the year ended 31 December 2013, 3 meetings of nomination committee were held for, inter alia, considering the retirement and re-election of the Directors and the appointment of Mr. Kwan Wai Yin, William as independent non-executive Director. The nomination committee has also reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the year ended 31 December 2013.

Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 23 March 2012 and is in compliance with paragraph D3.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2013, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

Directors' Securities Transactions

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions of the Company. Upon the Company's specific enquiry, each Director had confirmed that during the year ended 31 December 2013, they had fully complied with the required standard of dealings and there was no event of non-compliance.

Auditor's Remuneration

During the year ended 31 December 2013, the fees paid/payable to SHINEWING (HK) CPA Limited, the auditor of the Company, and its affiliate companies in respect of audit and non-audit services provided by them to the Group were as follows:

Service rendered	**Fees paid/ payable** *HK$*
Audit services	960,000
Non-audit services:	
Other services	200,000
Total	1,160,000

Internal Controls

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, SHINEWING (HK) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report.

Investor Relations and Communication

The Board recognises the importance of good communications with all shareholders. The Company encourages two-way communications with both its institutional and private investors. A Shareholder's Communication Policy was adopted by the Board at the Board meeting held on 23 March 2012 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. Extensive information about the Company's activities is provided in its interim report, quarterly report and this annual report, which are sent to shareholders of the Company. The annual general meeting provides a valuable forum for direct communication between the Board and the Company's shareholders. The Chairman of the Board as well as Chairmen of the Board Committees together with the auditor will present to answer shareholders' questions. The circulars of the annual general meeting are distributed to all shareholders at least 21 clear days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on both the GEM website and the Company's website. All corporate communication with shareholders will be posted on the Company's website for shareholders' information.

Under the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the code provision A.6.7 of the CG Code, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Regarding the 2013 AGM held on 10 May 2013, the whole Board of Directors (except Mr. Li Fu Yeung, the chairmen of audit committee and nomination committee of the Company, who was not able to attend due to unavoidable business engagement) and auditor of the Company have attended the 2013 AGM to answer questions of the shareholders. Although, Mr. Li Fu Yeung could not attend the 2013 AGM, there were executive Directors and the other two independent non-executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders at the meeting.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office.

Company Secretary

The company secretary, Mr. Wong Tin King, Richard, was appointed on 24 June 2011. He is responsible for facilitating the Board meeting process, as well as communications among Board members, with shareholders and management. Mr. Wong's biography is set out in the "Biographical Details of the Directors and Senior Management" section. During the year ended 31 December 2013, Mr. Wong undertook not less than 15 hours of professional training to update his skills and knowledge.

CORPORATE GOVERNANCE REPORT

Shareholders' Right

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the article of association of the Company, an extraordinary general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office of the Company at Shop No. 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong, specifying the shareholding information of the shareholder, his/ her contact details and the proposal regarding any specified transaction/ business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the article of association of the Company, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such extraordinary general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office of the Company at Shop No. 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong, specifying the shareholding information of the shareholder, his/ her contact details and the proposal he/ she intends to put forward at general meeting regarding any specified transaction/ business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary of the Company at the head office of the Company at Shop No. 46, Ground Floor, Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories, Hong Kong, or send email to info@gayety.com.hk.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2013.

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF GAYETY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Gayety Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") (set out on pages 39 to 93), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tang Kwan Lai
Practising Certificate Number: P05299

Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	8	**386,262**	357,844
Other income	8	**782**	655
Cost of inventories consumed		**(117,336)**	(118,553)
Employee benefits expenses	9	**(118,719)**	(110,708)
Depreciation		**(18,912)**	(15,081)
Operating lease rentals and related expenses		**(43,453)**	(35,790)
Utilities expenses		**(27,366)**	(24,971)
Other (loss) gain, net	9	**(768)**	222
Other operating expenses		**(31,355)**	(23,398)
Share of loss of a joint venture		**(4)**	–
Finance costs	10	**(264)**	(246)
Profit before tax	9	**28,867**	29,974
Income tax expenses	11	**(5,373)**	(5,533)
Profit and total comprehensive income for the year		**23,494**	24,441
Attributable to:			
Owners of the Company		**23,758**	23,393
Non-controlling interests		**(264)**	1,048
		23,494	24,441
Earnings per share			
Basic and diluted (HK cents)	14	**0.74**	0.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**77,073**	60,226
Interest in a joint venture	16	**1**	–
Rental deposits	18	**10,876**	8,128
Prepayment for acquisition of property, plant and equipment		**157**	380
Loan receivable from a substantial shareholder	19	**–**	9,900
Deferred tax assets	23	**2,467**	845
		90,574	79,479
Current assets			
Inventories	17	**10,409**	7,003
Trade receivables	18	**1,582**	1,655
Prepayments, deposits and other receivables	18	**14,183**	12,384
Amount due from a substantial shareholder	19	**–**	568
Income tax recoverable		**750**	–
Pledged bank deposit	20	**1,500**	1,500
Bank balances and cash	20	**65,612**	61,088
		94,036	84,198
Current liabilities			
Trade payables	21	**10,973**	13,736
Other payables, accruals and deposits received	21	**37,392**	28,664
Provision for reinstatement costs	24	**–**	1,106
Income tax payable		**2,336**	2,430
Bank borrowing, secured	22	**2,397**	2,653
		53,098	48,589
Net current assets		**40,938**	35,609
Total assets less current liabilities		**131,512**	115,088
Non-current liabilities			
Provision for reinstatement costs	24	**3,770**	1,994
Deferred tax liabilities	23	**369**	32
		4,139	2,026
		127,373	113,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
Capital and Reserves			
Share capital	25	**3,200**	3,200
Reserves		**121,211**	107,005
Equity attributable to owners of the Company		**124,411**	110,205
Non-controlling interests		**2,962**	2,857
		127,373	113,062

The consolidated financial statements on pages 39 to 93 were approved and authorised for issue by the board of directors on 25 March 2014 and are signed on its behalf by:

WONG KWAN MO
Director

LAU LAN YING
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve *(Note i)*	Retained earnings	Other reserve *(Note ii)*	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	3,200	65,421	106	18,085	–	86,812	2,009	88,821
Profit for the year and total comprehensive income for the year	–	–	–	23,393	–	23,393	1,048	24,441
Dividend paid to non-controlling interests	–	–	–	–	–	–	(200)	(200)
At 31 December 2012 and 1 January 2013	**3,200**	**65,421**	**106**	**41,478**	**–**	**110,205**	**2,857**	**113,062**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**23,758**	**–**	**23,758**	**(264)**	**23,494**
Capital contribution from non-controlling interests *(Note 32(ii))*	**–**	**–**	**–**	**–**	**420**	**420**	**1,097**	**1,517**
Acquisition of non-controlling interests *(Note 32(i))*	**–**	**–**	**–**	**–**	**28**	**28**	**(728)**	**(700)**
Dividend *(Note 13)*	**–**	**–**	**–**	**(10,000)**	**–**	**(10,000)**	**–**	**(10,000)**
At 31 December 2013	**3,200**	**65,421**	**106**	**55,236**	**448**	**124,411**	**2,962**	**127,373**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**28,867**	29,974
Adjustments for:		
Depreciation	**18,912**	15,081
Share of loss of a joint venture	**4**	–
Finance costs	**264**	246
Gain from change in fair value of investment property *(Note 15)*	**–**	(222)
Loss on disposals/ written-off of property, plant and equipment	**768**	–
Interest income	**(572)**	(577)
Operating cash flows before movements in working capital	**48,243**	44,502
Increase in inventories	**(3,406)**	(136)
Decrease (increase) in trade receivables	**73**	(210)
Increase in prepayments, deposits and other receivables	**(4,547)**	(5,540)
(Decrease) increase in trade payables	**(2,763)**	2,069
Increase in other payables, accruals and deposits received	**721**	3,884
Cash generated from operations	**38,321**	44,569
Interest paid	**(88)**	(99)
Hong Kong Profits Tax paid	**(7,502)**	(4,014)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**30,731**	40,456
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(28,091)**	(16,481)
Repayment from (loan advanced) to a substantial shareholder	**9,900**	(9,900)
Repayment from a related company	**–**	270
Interest received	**1,140**	9
Investment in a joint venture	**(5)**	–
Proceeds from disposals of property, plant and equipment	**288**	–
NET CASH USED IN INVESTING ACTIVITIES	**(16,768)**	(26,102)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Repayment of borrowing	**(256)**	(247)
Dividend paid to non-controlling interests	**–**	(200)
Dividend	**(10,000)**	–
Capital contribution from non-controlling interests	**1,517**	–
Payments to acquire non-controlling interests	**(700)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(9,439)**	(447)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,524**	13,907
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**61,088**	47,181
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**65,612**	61,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 these consolidated financial statements, the Company's immediate and ultimate holding company is KMW Investments Limited ("KMW"), a company incorporated in British Virgin Islands ("BVI").

The Company's principal activity during the year was investment holding. The principal activities of its principal subsidiaries are set out in Note 32.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/ or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of these amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Hong Kong (Standing Interpretations Committee) ("HK (SIC)") – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee if and only if it has (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. All these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 11 Joint Arrangements (Continued)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/ or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendment to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle[2]
Amendment to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Account[4]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement subsequently of financial liabilities and for derecognition, and further amended in 2013 to include new requirements for HKFRS 9 to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company anticipate that the application of the amendments to HKAS 32 will not have a significant impact to the Group's consolidated financial statements as the Group does not have any financial assets or financial liabilities that qualify for offset.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in joint venture is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in joint venture is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the joint venture is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of a joint venture equals or exceeds its interest in joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

If a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in a joint venture (Continued)

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. As goodwill that forms part of the carrying amount of an investment in a joint venture is not separately recognised, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business, net of discounts.

Revenue from restaurant operation is recognised when the catering services are rendered to customers. Receipts in respect of services that have not been rendered are deferred and recognised as deposits received in the consolidated statement of financial position.

Sub-letting income is recognised on a straight-line basis over the term of the lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and building held for use in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/ or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group’s financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposits, trade receivables, deposits and other receivables, loan receivable from a substantial shareholder, amount due from a substantial shareholder, pledged bank deposit, and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see the accounting policy in respect of impairment loss of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, deposits and other receivables, loan receivable from a substantial shareholder, and amount due from a substantial shareholder, where the carrying amount is reduced through the use of an allowance account. When trade receivables, deposits and other receivables, loan receivable from a substantial shareholder and amount due from a substantial shareholder are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities (including trade payables, other payables and accruals and secured bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of the ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

(a) Defined contribution retirement benefit plans

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

(b) Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2013, the carrying amount of property, plant and equipment was approximately HK$77,073,000 (2012: HK$60,226,000). No impairment had been recognised as at 31 December 2013 (2012: nil).

Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at the end of each reporting period with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement costs upon closures or relocation of existing premises occupied by the Group. As at 31 December 2013, the carrying amount of provision for reinstatements cost was approximately HK$3,770,000 (2012: HK$3,100,000).

Income taxes

As at 31 December 2013, a deferred tax asset of HK$11,604,000 (2012: HK$2,416,000) in relation to unused tax losses has been recognised in the Group's consolidated of financial position. No deferred tax asset has been recognised on the tax losses of HK$3,402,000 (2012: HK$582,000) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

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

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

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group expects to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts. Gearing ratio is calculated as net debt (bank borrowing less bank balances and cash) divided by the total of net debt and total equity.

Gearing ratios are not applicable to the Group as at 31 December 2013 and 2012 as the Group's bank balances and cash are more than its bank borrowing.

6. FINANCIAL RISK MANAGEMENT

6a. Categories of financial instruments

	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	**87,017**	89,684
Financial liabilities		
Financial liabilities at amortised cost	**44,472**	39,940

6b. Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade receivables, deposits and other receivables, loan receivable and amount due from a substantial shareholder, pledged bank deposit, bank balances and cash, trade payables, other payables and accruals, and secured bank borrowing. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6b. Financial risk management objectives and policies (Continued)

Market risk

Interest rate risk

As at 31 December 2013, the Group is exposed to cash flow interest rate risk in relation to variable rate bank borrowing, pledged bank deposit and bank balances. As at 31 December 2012, the Group was also exposed to cash flow variable interest rate from its loan receivable from a substantial shareholder (Note 19). Details of the pledged bank deposit, bank balances and secured bank borrowing are disclosed in Notes 20 and 22 respectively. It is the Group's policy to keep its bank borrowing, loan receivable, pledged bank deposit and bank balances at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate ("Prime Rate") arising from the Group's bank borrowing and loan receivable. The Group's exposure to interest rate risk from its bank balances and pledged bank deposit is minimal as these balances have short maturity period.

Sensitivity analysis

An increase/ decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/ increase (2012: increase/ decrease) the Group's profit after tax by approximately HK$20,000 (2012: HK$61,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 27% (2012: 51%) and 69% (2012: 92%) of the total trade receivables was due from the largest counterparty and the three (2012: three) largest counterparties, respectively.

The directors of the Company consider the credit risk associated with trade receivables is minimal as most of the trade receivables are due from reputable financial institutions.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured bank borrowing and ensures compliance with loan covenants.

As at 31 December 2013 and 2012, the Group had not breached any of the covenant clauses of its obligations under secured bank borrowing (Note 22).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowing with a repayment on demand clause is included in the earliest time band regardless of the probability of the bank choosing to exercise its right within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2013		
	Within one year or on demand *HK$'000*	**Total undiscounted cash flow** *HK$'000*	**Carrying amount** *HK$'000*
Non-derivative financial liabilities			
Trade payables	10,973	10,973	10,973
Other payables and accruals	31,102	31,102	31,102
Bank borrowing, secured *(Note i)*	2,477	2,477	2,397
	44,552	44,552	44,472

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	At 31 December 2012		
	Within one year or on demand *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
Non-derivative financial liabilities			
Trade payables	13,736	13,736	13,736
Other payables and accruals	23,551	23,551	23,551
Bank borrowing, secured *(Note i)*	2,742	2,742	2,653
	40,029	40,029	39,940

Notes:

(i) Bank borrowing with a repayment on demand clause is included in the "within one year or on demand" time band in the above maturity analysis. At 31 December 2013, the aggregate undiscounted principal amount of this bank borrowing amounted to HK$2,397,000 (2012: HK$2,653,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. The directors of the Company believe that the bank borrowing will be repaid by 96 (2012: 108) monthly installments after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$2,752,000 (2012: HK$3,096,000).

(ii) The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6c. Fair value

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of the non-current deposits approximated the fair value as the impact of discounting is immaterial.

The directors of the Company consider that the carrying amount of the interest-bearing non-current loan receivable from a substantial shareholder at 31 December 2012 approximated its fair value as the interest was determined with reference to market interest rate.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost and classified as current assets/ liabilities in the consolidated financial statements approximate their fair values due to their short-term maturities.

7. SEGMENT INFORMATION

The Group is engaged in a single segment, the operation of a chain of Chinese restaurants in Hong Kong. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

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

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during each of the years ended 31 December 2013 and 2012.

8. TURNOVER AND OTHER INCOME

	2013 HK$'000	2012 HK$'000
Turnover		
Chinese restaurants operations	**386,262**	357,844
Other income		
Sub-letting income	**38**	38
Loan interest income from a substantial shareholder	**566**	568
Bank interest income	**6**	9
Sundry income	**172**	40
	782	655

9. PROFIT BEFORE TAX

	2013 HK$'000	2012 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Other loss (gain), net		
Loss on disposals/ written-off of property, plant and equipment	**768**	–
Gain from change in fair value of investment property	**–**	(222)
	768	(222)
Employee benefits expenses (including directors' emoluments)		
Salaries, wages and allowances	**113,536**	103,394
Incentive payments	**–**	2,694
Contributions to retirement benefits scheme – defined contribution plan	**5,183**	4,620
	118,719	110,708
Auditor's remuneration	**960**	900
Kitchen consumables (included in other operating expenses)	**3,028**	2,303
Cleaning expenses (included in other operating expenses)	**4,071**	3,399
Operating lease rentals in respect of rented premises	**35,869**	30,706

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Finance costs on bank borrowing not wholly repayable within five years	88	99
Unwinding of discount on provision for reinstatement costs *(Note 24)*	176	147
	264	246

11. INCOME TAX EXPENSES

	2013 HK$'000	2012 HK$'000
Current income tax		
Current year provision	6,764	6,402
(Over) under provision in prior years	(106)	191
Deferred income tax *(Note 23)*	(1,285)	(1,060)
	5,373	5,533

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

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Profit before tax	28,867	29,974
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	4,763	4,946
Tax effect of income not taxable for tax purpose	–	(36)
Tax effect of expenses not deductible for tax purpose	114	336
Tax effect of deductible temporary differences not recognised	137	–
Tax effect of tax losses not recognised	465	96
(Over) under provision in prior years	(106)	191
Income tax expenses	5,373	5,533

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) The emoluments paid or payable to the directors and chief executive of the Company were as follows:

	Year ended 31 December 2013			
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Contributions to retirement benefits scheme – defined contribution plan *HK$'000*	Total *HK$'000*
Executive directors:				
Mr. Wong Kwan Mo	–	–	–	–
Ms. Lau Lan Ying	–	–	–	–
Independent non-executive directors:				
Mr. Kwan Wai Yin, William (appointed on 2 September 2013)	20	–	–	20
Mr. Li Fu Yeung	60	–	–	60
Ms. Chiu Man Yee	60	–	–	60
Mr. Ho Chun Fai (resigned on 2 September 2013)	40	–	–	40
	180	–	–	180

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) The emoluments paid or payable to the directors and chief executive of the Company were as follows: (Continued)

	Year ended 31 December 2012			
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Contributions to retirement benefits scheme – defined contribution plan *HK$'000*	Total *HK$'000*
Executive directors:				
Mr. Wong Kwan Mo	–	–	–	–
Ms. Lau Lan Ying	–	–	–	–
Independent non-executive directors:				
Mr. Ho Chun Fai (appointed on 12 July 2012)	28	–	–	28
Mr. Yu Ka Ho (retired on 11 May 2012)	22	–	–	22
Mr. Li Fu Yeung	60	–	–	60
Ms. Chiu Man Yee	60	–	–	60
	170	–	–	170

Ms. Lau Lan Ying is also the chief executive of the Company for both years.

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

The five individuals with the highest emoluments in the Group for the years ended 31 December 2013 and 2012 were all non-director employees. Their emoluments were as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**2,723**	2,678
Incentive payments	**–**	535
Contributions to retirement benefits scheme – defined contributions plan	**73**	47
	2,796	3,260

The emoluments were within the following bands:

	Number of individuals	
	2013	2012
Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$1,500,000	**–**	1

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals, directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive of the Company and the highest paid employees waived or agreed to waive any emoluments paid by the Group.

The remuneration of directors and the chief executive of the Company is determined by the remuneration committee having regard to the performance of individual and market trends.

13. DIVIDEND

During the year ended 31 December 2013, an interim dividend of HK$0.3125 cents (2012: nil) per share totaling HK$10,000,000 were declared and paid. No dividend has been paid or proposed since the end of the reporting period (2012: nil).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**23,758**	23,393
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,200,000,000**	3,200,000,000

Diluted earnings per share for the years ended 31 December 2013 and 2012 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Air-conditioning HK$'000	Equipment and kitchen utensils HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2012	–	40,363	11,272	18,446	11,076	766	81,923
Additions	–	10,486	1,515	5,598	1,274	591	19,464
Reclassification from investment property *(Note)*	6,100	–	–	–	–	–	6,100
At 31 December 2012 and 1 January 2013	6,100	50,849	12,787	24,044	12,350	1,357	107,487
Additions	–	17,982	3,037	10,558	2,657	2,581	36,815
Written-offs/ disposals	–	(4,184)	(595)	(13)	(22)	(245)	(5,059)
At 31 December 2013	6,100	64,647	15,229	34,589	14,985	3,693	139,243
ACCUMULATED DEPRECIATION							
At 1 January 2012	–	15,817	4,766	5,248	6,171	178	32,180
Provided for the year	77	7,729	1,896	3,795	1,384	200	15,081
At 31 December 2012 and 1 January 2013	77	23,546	6,662	9,043	7,555	378	47,261
Provided for the year	153	9,812	1,860	4,870	1,584	633	18,912
Eliminated on written-offs/ disposals	–	(3,389)	(563)	(4)	(8)	(39)	(4,003)
At 31 December 2013	230	29,969	7,959	13,909	9,131	972	62,170
CARRYING VALUES							
At 31 December 2013	5,870	34,678	7,270	20,680	5,854	2,721	77,073
At 31 December 2012	6,023	27,303	6,125	15,001	4,795	979	60,226

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land held for own use under finance lease	Unexpired term of lease
Building held for own use	2.5% or unexpired term of lease, if shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Air-conditioning	20% or over the lease term, whichever is shorter
Equipment and kitchen utensils	20%
Furniture and fixtures	20%
Motor vehicles	20%

The land and building is situated in Hong Kong and held under medium-term lease.

The land and building has been pledged to secure bank borrowing of the Group. Details of bank borrowing are set out in Note 22.

Note:

The Group's leasehold land and building represented property interest that was accounted for as investment property as at 1 January 2012 with a carrying amount of HK$5,878,000. During the year ended 31 December 2012, due to the change in intention over the property from investment to owner-occupied purpose, the property interest was transferred to leasehold land and building.

At the date of transfer to property, plant and equipment, the fair value of HK$6,100,000 of the Group's investment property was arrived at on the basis of a valuation carried out by Roma Appraisals Limited ("Roma"), an independent qualified professional valuer not connected with the Group and resulted in a gain of approximately HK$222,000. Roma had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

16. INTEREST IN A JOINT VENTURE

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in Hong Kong	5	–
Share of post-acquisition loss and other comprehensive expense	(4)	–
	1	–

As at 31 December 2013 and 2012, the Group had interest in the following joint venture entity:

Name of entity	Form of business structure	Place of incorporation and operation	Issued and paid-up capital	Proportion of equity interest and voting power attributable to the Group		Principal activity
				2013	2012	
Hong Kong Beverage and Catering Limited ("HKBC")	Incorporated	Hong Kong	HK$10,000	50%	–	Investment holding

The summarised financial information of HKBC, a joint venture that is not individually material to the Group, shown below are prepared in accordance with HKFRSs.

HKBC is accounted for using the equity method in these consolidated financial statements.

	2013 HK$'000	2012 HK$'000
The Group's share of post-tax loss and total comprehensive expense for the year	4	–

17. INVENTORIES

	2013 HK$'000	2012 HK$'000
Food and beverages	9,788	6,733
Consumables	621	270
	10,409	7,003

18. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Non-current		
Rental deposits	10,876	8,128
Current		
Trade receivables	1,582	1,655
Prepayments, deposits and other receivables	14,183	12,384
	15,765	14,039

The aging analysis of trade receivables, presented based on invoice date which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000
Within 30 days and neither past due nor impaired	969	1,646
31 – 60 days	232	2
61 – 90 days	381	7
	1,582	1,655

The Group does not hold any collateral over its trade receivables, deposits and other receivables.

The Group's sales are mainly conducted in cash or by credit cards. Certain customers are granted a credit period of 30 days.

Included in trade receivables balance as at 31 December 2013 were receivables of HK$613,000 (2012: HK$9,000) that were past due. The trade receivables included in the above aging analysis are considered not impaired as there is no recent history of default. No provision for impairment of trade receivables was made as at 31 December 2013 and 2012.

18. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables which are past due but not impaired:

	2013	2012
	HK$'000	*HK$'000*
31-60 days	**232**	2
61-90 days	**381**	7
	613	9

19. LOAN RECEIVABLE AND AMOUNT DUE FROM A SUBSTANTIAL SHAREHOLDER

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 of the Company, for advancing a loan of HK$9,900,000 to KMW. The loan receivable was guaranteed by the executive directors of the Company, bore interest at Prime Rate plus 1%, and repayable in 3 years from the date of drawdown. Details of which were set out in the Company's announcement dated 18 January 2011.

The amount due from a substantial shareholder as at 31 December 2012 represented the interest receivable from KMW and was guaranteed by the executive director of the Company, interest-free, unsecured and repayable on demand.

The entire loan receivable and amount due from the substantial shareholder as at 31 December 2012 were fully settled during the year ended 31 December 2013.

20. PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

Cash at banks and pledged bank deposit earn interest at prevailing market rates for both years.

The pledged bank deposit as at 31 December 2013 and 2012 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group (Note 22), accordingly, the pledged bank deposit is classified as a current asset.

21. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**10,973**	13,736
Payables for acquisition of property, plant and equipment	**10,567**	2,560
Other payables	**3,650**	4,372
Accruals	**16,885**	16,619
Deposits received	**6,290**	5,113
	37,392	28,664
	48,365	42,400

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of reporting period:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**7,727**	8,613
31 – 60 days	**2,963**	3,875
61 – 90 days	**159**	1,095
Over 90 days	**124**	153
	10,973	13,736

Payment terms granted by suppliers are generally 30 to 45 days after the end of the month in which the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade payables as at 31 December 2013 was amounts due to companies controlled by executive directors of the Company of approximately HK$1,698,000 (2012: HK$2,533,000).

22. BANK BORROWING, SECURED

	2013	2012
	HK$'000	*HK$'000*
Mortgage loan, secured – repayable on demand	**2,397**	2,653

Based on the facility agreement, the mortgage loan will be repaid by 120 monthly installments commencing from January 2012. There are 96 (2012: 108) installments of the mortgage loan remained outstanding as at 31 December 2013. The facility agreement contains a repayment on demand clause pursuant to which the bank can at its discretion demand repayment of the entire outstanding balance from the Group in the absence of any defaults.

The following table presents the scheduled repayments set out in the loan agreement:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**265**	256
After one year but within two years	**274**	265
After two years but within five years	**883**	853
More then 5 years	**975**	1,279
	2,397	2,653

Mortgage loan carries interest at Prime Rate less 1.75% (2012: Prime Rate less 1.75%) per annum.

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

	2013	2012
	HK$'000	*HK$'000*
Mortgage loan	**3.5%**	3.5%

As at 31 December 2013, the Group had aggregate banking facilities of approximately HK$3,947,000 (2012: HK$4,203,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same dates amounted to approximately HK$107,000 (2012: HK$107,000). These facilities were secured by:

(a) The Group's pledged bank deposit (for the letter of guarantee) amounting to HK$1,500,000 (2012: HK$1,500,000) as at 31 December 2013; and

(b) Leasehold land and building with a carrying amount of HK$5,870,000 (2012: HK$6,023,000) as at 31 December 2013.

In addition, certain business credit cards were guaranteed by Mr. Wong Kwan Mo and Ms. Lau Lan Ying, executive directors of the Company, to the extent of HK$50,000 in aggregate.

23. DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013	2012
	HK$'000	*HK$'000*
Deferred tax assets	**3,576**	2,833
Deferred tax liabilities	**(1,478)**	(2,020)
	2,098	813

As at 31 December 2013, deferred tax liabilities of HK$1,109,000 (2012: HK$1,988,000) has been presented as an offset to deferred tax asset in the consolidated statement of financial position.

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	Decelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets			
At 1 January 2012	1,454	313	1,767
Credited to profit or loss	980	86	1,066
At 31 December 2012 and 1 January 2013	**2,434**	**399**	**2,833**
(Charged) credited to profit or loss	**(773)**	**1,516**	**743**
At 31 December 2013	**1,661**	**1,915**	**3,576**

	Accelerated tax depreciation	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities			
At 1 January 2012	(1,956)	(58)	(2,014)
(Charged) credited to profit or loss	(36)	30	(6)
At 31 December 2012 and 1 January 2013	**(1,992)**	**(28)**	**(2,020)**
Credited to profit or loss	**514**	**28**	**542**
At 31 December 2013	**(1,478)**	**–**	**(1,478)**

23. DEFERRED TAX (CONTINUED)

Deferred tax assets are recognised for available tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2013, the Group had tax loss carry-forwards and other deductible temporary differences of HK$15,006,000 (2012: HK$2,998,000) and HK$10,894,000 (2012: HK$14,751,000). Tax losses can be carried forward against future taxable income indefinitely.

As at 31 December 2013, the Group did not recognise deferred tax assets in respect of tax losses and deductible temporary differences of HK$3,402,000 (2012: HK$582,000) and HK$830,000 (2012: nil) due to the unpredictability of future profit stream.

24. PROVISION FOR REINSTATEMENT COSTS

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**3,100**	2,325
Additional provision	**494**	628
Unwinding of discount on provision *(Note 10)*	**176**	147
At 31 December	**3,770**	3,100
Analysed into		
Current portion	**–**	1,106
Non-current portion	**3,770**	1,994
	3,770	3,100

Provision for reinstatement costs is recognised at the present value of costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases.

The discount rate applied to provision for reinstatement cost as at 31 December 2013 is 5.25% (2012: 5.25%).

25. SHARE CAPITAL

	Nominal value	Number of shares	Share capital *HK$'000*
Authorised			
Ordinary shares			
At 1 January 2012	0.01	1,000,000,000	10,000
Share subdivision *(Note (a))*	0.001	9,000,000,000	–
At 31 December 2012 and 1 January 2013	0.001	10,000,000,000	10,000
Increase in authorised share capital *(Note (b))*	0.001	90,000,000,000	90,000
At 31 December 2013	**0.001**	**100,000,000,000**	**100,000**
Issued and fully paid			
Ordinary shares			
At 1 January 2012	0.01	320,000,000	3,200
Share sub-division *(Note (a))*	0.001	2,880,000,000	–
At 31 December 2012, 1 January 2013 and 31 December 2013	**0.001**	**3,200,000,000**	**3,200**

Notes:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting held on 12 January 2012, the Company's then issued and unissued ordinary shares of par value HK$0.01 each in the share capital of the Company were sub-divided into 10 shares of HK$0.001 each (the "Share Sub-division").

The sub-divided shares and new shares issued rank pari passu in all respects with the shares in issue prior to the Share Sub-division and the rights attaching to the sub-divided shares will not be affected by the Share Sub-division.

(b) Pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting held on 10 May 2013, the Company's authorised share capital was increased to HK$100,000,000 divided into 100,000,000,000 ordinary shares of HK$0.001 each by the creation of additional 90,000,000,000 ordinary shares of HK$0.001 each, which will rank pari passu with all existing shares.

26. 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 of the Company 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 (i.e. 320,000,000 ordinary shares after the adjustment of the Share Sub-division) 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 dispatched 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 of directors of the Company 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.

26. SHARE OPTION SCHEME (CONTINUED)

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 has been granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 31 December 2013 (2012: nil).

27. OPERATING LEASE COMMITMENTS

(a) As lessor

Property rental income earned during the year was approximately HK$38,000 (2012: HK$38,000). The Group sub-let its rented premises under an operating lease arrangement with no fixed lease term. The term of the lease generally require the tenants to pay security deposits.

As at 31 December 2013 (2012: nil), the Group did not have future minimum lease receivable.

(b) As lessee

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to six years (2012: two to five years). Rentals were fixed at the inception of the leases.

At the end of the reporting periods, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Within one year	**37,250**	30,204
In the second to fifth years inclusive	**86,788**	79,889
Over five years	**5,128**	–
	129,166	110,093

28. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	195
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**–**	–
	–	195

29. RETIREMENT BENEFIT SCHEME

The Group operates mandatory provident fund schemes (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (prior to 1 May 2012) and HK$25,000 (from 1 May 2012 onwards). Contributions to the MPF Scheme vest immediately.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with related parties:

(a) Transactions with related parties

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

The Group had the following significant transactions with companies controlled and beneficially owned by the executive directors of the Company, who are also the ultimate controlling parties of the Company, and their close family members during both reporting periods:

		2013	2012
	Notes	***HK$'000***	*HK$'000*
Rental expenses	*(i)*	**9,960**	9,960
Purchase of goods	*(ii)*	**10,386**	10,796
Loan interest income from a substantial shareholder *(Note 19)*		**566**	568

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes:

(i) Rental expenses were charged according to the terms of the rental agreement entered into between the parties.

(ii) Purchases of goods from related companies were made on a mutually agreed basis.

(b) Balances with related parties

Related parties	As at 31 December		Maximum amount outstanding during the year ended	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due from a substantial shareholder: KMW *(Note 19)*	**–**	10,468	**10,468**	10,468

(c) Other arrangements with related parties

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the year ended 31 December 2013 and 2012 are as follows:

	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	**1,106**	1,204
Post-employment benefits	**15**	21
	1,121	1,225

The remuneration of directors of the Company and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 *HK$'000*	2012 *HK$'000*
Non-current assets		
Investment in a subsidiary	**13,086**	13,086
Loan receivable from a substantial shareholder	**–**	9,900
Property, plant and equipment	**314**	–
	13,400	22,986
Current assets		
Prepayments, deposits and other receivables	**267**	219
Amounts due from subsidiaries *(Note a)*	**68,073**	54,068
Amount due from a substantial shareholder	**–**	568
Bank balances and cash	**1,458**	234
	69,798	55,089
Current liability		
Other payables	**1,058**	935
Net current assets	**68,740**	54,154
	82,140	77,140
Capital and reserves		
Share capital	**3,200**	3,200
Reserves *(Note b)*	**78,940**	73,940
	82,140	77,140

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Movements in the reserves during the year are as follows:

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Share premium HK$'000	Capital reserve HK$'000 (Note)	(Accumulated losses)/ Retaining earnings HK$'000	Total HK$'000
At 1 January 2012	65,421	12,706	(4,187)	73,940
Profit and total comprehensive income for the year	–	–	–	–
At 31 December 2012 and 1 January 2013	65,421	12,706	(4,187)	73,940
Profit and total comprehensive income for the year	–	–	15,000	15,000
Dividend *(Note 13)*	–	–	(10,000)	(10,000)
At 31 December 2013	65,421	12,706	813	78,940

Note: The capital reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests in the subsidiaries as part of re-organisation and the consolidated equity of the subsidiaries acquired by the Company.

32. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Group as at 31 December 2013 and 2012 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital	Percentage of equity and voting power attributable to the Company		Principal activities
			Direct	Indirect	
GR Holdings Limited	Samoa	US$100	100%	–	Investment holding
Gayety Limited	Hong Kong	HK$1	–	100%	Restaurant operations and licence holding
Jubilant Company Limited	Hong Kong	HK$1	–	100%	Central procurement operations
Red Seasons Limited	Hong Kong	HK$2	–	100%	Restaurant operations and licence holding
Red Seasons Corporation Limited	Hong Kong	HK$2	–	100%	Restaurant operations and licence holding
Red Seasons Catering Limited	Hong Kong	HK$2	–	100%	Restaurant operations and licence holding
Tin Ho Restaurant Limited ("Tin Ho")	Hong Kong	HK$800,000	–	70% (2012: 60%) *(Note i)*	Restaurant operations and licence holding
Blissful Dragon Limited	BVI	US$1	–	100%	Property holding
Red Seasons Developments Limited	Hong Kong	HK$2,100,000	–	100%	Restaurant operations and licence holding
Home-made Cuisine Catering Company Limited	Hong Kong	HK$1	–	100%	Restaurant operations and licence holding

32. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital	Percentage of equity and voting power attributable to the Company		Principal activities
			Direct	Indirect	
Home-made Cuisine Investments Limited ("HMI")	Hong Kong	HK$3,800,000 (2012: HK$1)	–	60% (2012: 100%) *(Note ii)*	Restaurant operations and licence holding
Big Excellent Limited*	Hong Kong	HK$1	–	100%	Restaurant operations and licence holding

All subsidiaries are companies incorporated with limited liability in the respective places.

* Subsidiaries incorporated during the year ended 31 December 2013

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes:

(i) On 1 January 2013, the Group acquired 10% equity interest in each of Tin Ho and an inactive subsidiary from the respective non-controlling interest for an aggregate cash consideration of HK$700,000. After the acquisition, the Group's equity interest in the two subsidiaries became 70%.

(ii) On 31 May 2013, HMI allotted 1,516,200 ordinary shares of HK$1 each to certain independent third parties for aggregate cash consideration of approximately HK$1,517,000. Following the allotment of shares, the Group's interest in HMI was diluted to 60%.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities and principal place of business of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2013	2012
Investment holding	Hong Kong	**3**	2
Inactive	Hong Kong	**6**	5
Inactive	PRC	**1**	–
		10	7

SUMMARY OF FINANCIAL INFORMATION

	Year ended 31 December				
RESULTS	**2013**	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**386,262**	357,844	279,847	210,320	126,476
Profit before tax	**28,867**	29,974	27,975	14,455	13,570
Income tax expenses	**(5,373)**	(5,533)	(5,069)	(3,177)	(2,387)
Profit for the year	**23,494**	24,441	22,906	11,278	11,183

	As at 31 December				
ASSETS AND LIABILITIES	**2013**	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	**94,036**	84,198	66,004	35,854	32,679
Non-current assets	**90,574**	79,479	65,723	28,753	19,217
Total assets	**184,610**	163,677	131,727	64,607	51,896
Current liabilities	**53,098**	48,589	40,037	41,691	39,233
Non-current liabilities	**4,139**	2,026	2,869	2,242	1,731
Total liabilities	**57,237**	50,615	42,906	43,933	40,964
Net assets	**127,373**	113,062	88,821	20,674	10,932
Equity attributable to owners of the Company	**124,411**	110,205	86,812	18,667	10,195
Non-controlling interests	**2,962**	2,857	2,009	2,007	737
	127,373	113,062	88,821	20,674	10,932

The results and summary of assets and liabilities for the years ended 31 December 2009 and 2010 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the GEM of the Stock Exchange, had been in existence throughout those years.