喜尚控股有限公司

Gayety Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8179

2012 Annual Report

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This report, for which the directors (the "Directors") of Gayety Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this report misleading; (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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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. Ho Chun Fai (appointed on 12 July 2012)
Mr. Yu Ka Ho (retired on 11 May 2012)

Compliance Officer

Ms. Lau Lan Ying

Authorised Representatives

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

Company Secretary

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

Audit Committee Members

Mr. Li Fu Yeung *(Chairman)*
Ms. Chiu Man Yee
Mr. Ho Chun Fai (appointed on 12 July 2012)
Mr. Yu Ka Ho (retired on 11 May 2012)

Remuneration Committee Members

Ms. Chiu Man Yee *(Chairman)*
Mr. Li Fu Yeung
Mr. Ho Chun Fai (appointed on 12 July 2012)
Mr. Yu Ka Ho (retired on 11 May 2012)

Nomination Committee Members

Mr. Li Fu Yeung *(Chairman)*
Ms. Chiu Man Yee
Mr. Ho Chun Fai (appointed on 12 July 2012)
Mr. Yu Ka Ho (retired on 11 May 2012)

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Legal Advisers to the Company

Pinsent Masons

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 2012.

Business Review

As one of the leading Chinese restaurant groups in Hong Kong, our success stems from our constant pursuit of quality food, menu choices and services. As at 31 December 2012, we are operating eight 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 Restaurant ("Home-made Cuisine").

Red Seasons is renowned for its ancient Chinese cuisine utilising traditional recipes and cooking techniques. Our signature dish, the roast suckling pig stuffed with glutinous rice and dried prawns ("roast suckling pig"), has been profusely praised by numerous customers and extensively covered through positive reviews in the media, including the commendation by the Michelin Guide Hong Kong and Macau in 2011 and 2012. During the year, turnover generated from Red Seasons increased approximately 20.8% as compared to last year. An innovative voucher scheme has also been introduced for the roast suckling pig, which has further enhanced our brand recognition and income sources.

In view of the ongoing high demand for banquet and dining services, Red Royalty was established in December 2011 and targets customers searching for premium dining services as well as deluxe Chinese banquet menus. Our overall business enjoyed a favourable impact from the new restaurant. Turnover from banquet services, generated by Red Royalty and Plentiful Delight Banquet, recorded an increase of approximately 29.4% as compared to last year.

To further enlarge our market share, we established our fourth brand, Home-made Cuisine, during the year. We have developed and launched a wide variety of contemporary and healthy Chinese dishes exclusively under the Home-made Cuisine brand. We expect the new brand to become another major income stream for the Group in the coming years.

Financial Results

For the year ended 31 December 2012, the Group recorded a turnover of HK$357,844,000, an increase of approximately 27.9% from HK$279,847,000 as reported last year. Profit attributable to the owners of the Company rose to HK$23,393,000, an increase of approximately 2.1% from HK$22,904,000 as reported last year. The increases in turnover and profit attributable to the owners of the Company were mainly due to the strong growth in comparable restaurant sales, especially after the newly opened Red Royalty and Wan Chai Red Seasons restaurants began to contribute to the Group's revenue. Basic earnings per share were HK0.73 cents (2011: HK0.82 cents).

CHAIRMAN'S STATEMENT

Prospects

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

The Group is continuing to expand its restaurant network. In March 2013, we have established the second Home-made Cuisine in Olympian City with a seating capacity of 102. Subject to the market conditions and other factors, the Group is cautiously targeting to open more restaurants under the "Home-made Cuisine" brand in Hong Kong and China.

The Group will continue to develop new signature dishes and delicious recipes to ensure the menu remains distinctively appetising. In 2013, we will launch the festive seasonal products including Chinese New Year Pudding, Rice Dumplings and Chinese Sausages under the Red Seasons brand.

In the year ahead, the Group will also enhance its brand awareness by bolstering brand promotion activities. At the same time, we will implement effective cost control measures. In order to set a clear direction for future development, the Group will also conduct feasibility studies to identify new business opportunities in terms of recipes, cuisine services and restaurant location.

Appreciation

Finally, I wish to take this opportunity to thank our shareholders, customers and business partners for their ongoing support and trust. At the same time, I would like to express my appreciation to my fellow Directors and the staff of the Group for their solid contribution and unwavering dedication to the Group. Based on our success, we remain optimistic about the prospects of the Group's future business development. We intend to execute our carefully thought-out business strategies to enhance the Group's value and to bring a desirable return to our shareholders.

Wong Kwan Mo
Chairman

Hong Kong, 28 March 2013

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 56, 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 49, 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 is a Controlling Shareholder.

Independent Non-Executive Directors

Mr. Li Fu Yeung (李富揚先生), aged 33, 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 8 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 32, 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 11 years of accounting and financial experience accumulated from working for various professional accounting firms. She is currently a finance manager of Standard Chartered 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. Ho Chun Fai (何振輝先生), aged 33, was appointed an independent non-executive Director on 12 July 2012. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Ho graduated with a Bachelor of Science degree in Computer Study from City University of Hong Kong. He has over 5 years of experience in information technology industry.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Wong Tin King, Richard (黃天競先生), *CPA, ACA* aged 35, 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 maintains a business philosophy of offering high quality cuisine at highly affordable prices. It is committed to providing memorable dining experiences to its customers by delivering delightfully prepared food, outstanding menu choices and a tastefully designed dining environment.

The Group has succeeded in achieving remarkable growth in 2012. During the year, the Group has also broken new ground, establishing its fourth brand “Home-made Cuisine” by opening its eighth restaurant in Wan Chai. As at 31 December 2012, we are operating eight restaurants under four brands which are described below.

Red Seasons

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Spurred by the success of the Red Seasons restaurants concept, the Group has established its seventh restaurant under the same brand in Wan Chai in March 2012. During the year, the Red Seasons restaurants have achieved a satisfactory result with the revenue up by around 20.8% to approximately HK$196,223,000.

Many customers have found the allure of Red Reasons irresistable, thanks in large measure to the signature dish, roast suckling pig. The Group has take further steps to leverage the attraction of roast suckling pig by the introduction of a new voucher scheme. The voucher could be redeemed anywhere across our restaurant network covering Hong Kong. With the new voucher scheme, this signature delicacy is more readily accessible to customers in a wider location.

Plentiful Delight Banquet

The second brand established by the Group, Plentiful Delight Banquet serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet can manage large-scale events up to 1,200 guests on a single occasion. During the year, Plentiful Delight Banquet recorded revenue of approximately HK$91,736,000.

Red Royalty

Since its grand opening in December 2011, Red Royalty has registered an excellent performance. What differentiates it from Plentiful Delight Banquet is that 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, Red Royalty generated revenue of approximately HK$68,060,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty increased by approximately 29.4% as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Home-made Cuisine

In order to expand its business, the Group further diversified its restaurant portfolio and established its fourth brand, “Home-made Cuisine.” Home-made Cuisine targets mid-range spending classes and is a great place for a gathering of family and friends. It serves contemporary Cantonese cuisine in a comfortable and homey environment. The restaurant specialises in home-made dishes and soups while cooking in an innovative, hearty and healthy way. The menu offers the best choice for those seeking a healthy nutritious meal. A new signature dish, roast suckling chicken stuffed with rice and dried prawns, has been launched exclusively in Home-made Cuisine.

The first restaurant under the brand of Home-made Cuisine is located in Wan Chai and commenced business in July 2012. During the year, Home-made Cuisine generated revenue of approximately HK$1,825,000.

Financial Review

The Group’s revenue amounted to approximately HK$357,844,000, representing an increase of approximately 27.9% as compared to last year. This was mainly attributable to the strong growth in comparable restaurant sales and the establishment of new restaurants. Profit attributable to owners of the Group increased by approximately 2.1% to approximately HK$23,393,000, representing a profit margin of approximately 6.5% (2011: 8.2%).

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 controls and improve operating efficiencies through a series of effective cost control measures.

The cost of inventories consumed for the year ended 31 December 2012 amounted to approximately HK$118,553,000 (2011: HK$104,335,000). The Group increased bulk purchases of food raw materials from suppliers in order to enjoy a larger discount, which also helped maintain the cost of inventories consumed below approximately 37% of the Group’s revenue.

Employee benefits expenses were approximately HK$110,708,000 (2011: HK$75,304,000). The increase was mainly due to the newly opened Red Royalty, Wan Chai Red Seasons and Home-made Cuisine, and the wage adjustments to retain experienced staff under the inflationary environment during the year ended 31 December 2012. The Group regularly reviews the work allocations of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the year ended 31 December 2012 amounted to approximately HK$35,790,000, representing an increase of approximately 50.4% as compared to last year. The increase was mainly due to the newly opened Red Royalty, Wan Chai Red Seasons and Home-made Cuisine. To better control the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

MANAGEMENT DISCUSSION AND ANALYSIS

Awards and Certificates

In 2012, the Group has garnered the following awards and certifications:

Restaurant	Awards/Certification	Awarding Organization
Red Seasons Aroma Restaurant	EatSmart Restaurant	Department of Health
Red Seasons Aroma Restaurant	Best-Ever Dining Awards	Weekend Weekly
Home-made Cuisine	U Choice of Brand Award 2012 – Choice of Dining	Metro Broadcast Corporation Limited

Outlook and prospects

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

The Group is continuously searching for appropriate locations with high traffic flow and reasonable rentals to expand its restaurant network. The Group has launched its ninth restaurant under its fourth brand – Home-made Cuisine, in Olympian City in March 2013. The four brands of the Group have differentiated target markets and positioning which the management considers can address the various needs of the customers and enlarge its market share within the industry.

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

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

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2012, the share capital and equity attributable to owners of the Company amounted to approximately HK$3,200,000 and HK$110,205,000 respectively (2011: HK$3,200,000 and HK$86,812,000 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 2012, the carrying amount of the Group's bank balances and cash was approximately HK$61,088,000 (2011: approximately HK$47,181,000), representing an increase of approximately 29.4% as compared to that as at 31 December 2011.

The pledged bank deposit as at 31 December 2011 and 2012 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 2012 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 2011 and 2012 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 2012. 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 2012.

Contingent Liabilities

As at 31 December 2012, the Group had no material contingent liabilities (2011: nil).

Capital Commitments

Details of capital commitments of the Group as at 31 December 2012 are set out in Note 28 to the consolidated financial statements.

Employees and Emolument Policies

The Group had 705 employees (including Directors) as at 31 December 2012 (2011: 615). 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 2012.

	Business plan up to 31 December 2012 as set out in the Prospectus	Actual business progress up to 31 December 2012
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 has commenced business since 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.

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 is identifying suitable partners for future business development.

The net proceeds from the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds from the Placing from the date of listing (i.e.8 July 2011) (the "Listing Date"), to 31 December 2012 had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2012 *HK$ million*	**Actual use of proceeds from the Listing Date to 31 December 2012** *HK$ million*
Diversify service and product offerings with the implementation of a new branding strategy	33.6	45.9
Upgrade existing restaurant facilities	0.8	0.8
Strengthen staff training	1.7	1.6
Enhance marketing activities to promote brand awareness	2.7	0.7
Formation of strategic partnerships with reputable partners in Hong Kong and China	1.6	–
Working capital	3.8	3.8
Total	44.2	52.8

Actual use of proceeds was higher as compared to the adjusted net proceeds which was mainly attributable to the early opening of the Group's seventh restaurant under the brand of Red Seasons in Wan Chai.

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 2012.

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 33 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 Dividends

The results of the Group for the year ended 31 December 2012 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 35 to 87.

The Directors do not recommend the payment of final dividends for the year ended 31 December 2012.

Annual General Meeting

The 2013 annual general meeting (the "2013 AGM") will be held on Friday, 10 May 2013. Shareholders should refer to details of the 2013 AGM in the circular of the Company of 28 March 2013 and the notice of 2013 AGM and form of proxy accompanying thereto.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2012, 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$73,940,000. The amount of HK$73,940,000 includes the Company's share premium and capital reserve, net of accumulated loss 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 and Investment Property

Details of the movements in property, plant and equipment and investment property of the Group during the year are set out in Notes 15 and 16 to the consolidated financial statements, respectively.

Interest Capitalised

No interest was capitalised by the Group during the year ended 31 December 2012.

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 88 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	14.3%
Five largest suppliers in aggregate	44.5%

Save for the purchases from Wong Yuen Hong 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. HO Chun Fai	(appointed on 12 July 2012)
Mr. YU Ka Ho	(retired on 11 May 2012)

Pursuant to article 83(3) of the Company's articles of association, Mr. Ho Chun Fai shall retire from office as Director at the conclusion of the 2013 AGM and, being eligible, offer himself for re-election at the 2013 AGM.

Pursuant to article 84 of the Company's articles of association, Mr. Wong KM and Ms. Lau LY shall retire from office as Directors by rotation at the 2013 AGM and, being eligible, offer themselves for re-election at the 2013 AGM.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 4 and 5 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. 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 2013 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 2012, 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 2012, 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 2012.

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 2012, 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	1,787,208,000	55.8%
Ms. Lau LY *(Note)*	Interest in controlled corporation	1,787,208,000	55.8%

Note:

1,537,208,000 and 250,000,000 shares are owned by KMW Investments Limited and Strong Light Investments Limited respectively. KMW Investments Limited and Strong Light Investments Limited are companies incorporated in the British Virgin Islands and Hong Kong respectively. The entire issued share capital of KMW Investments Limited and Strong Light Investments Limited are beneficially owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY.

Saved as disclosed above, as at 31 December 2012, 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 2012 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief 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 2012, other than a Director 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 of Shareholders	**Capacity/Nature of interest**	**Total number of ordinary shares**	**Approximate percentage of interest**
KMW Investments Limited *(Note)*	Beneficial owner	1,537,208,000	48.0%
Strong Light Investments Limited *(Note)*	Beneficial owner	250,000,000	7.8%

Note:

1,537,208,000 and 250,000,000 shares are owned by KMW Investments Limited and Strong Light Investments Limited respectively. KMW Investments Limited and Strong Light Investments Limited are companies incorporated in the British Virgin Islands and Hong Kong respectively. The entire issued share capital of KMW Investments Limited and Strong Light Investments Limited are beneficially owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY.

Saved as disclosed above, as at 31 December 2012, 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 2012.

Compliance Adviser's Interest in the Company

As at 31 December 2012, as notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 June 2011, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Connected Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2012 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 Investments Limited

On 18 January 2012, the Company entered into a loan agreement (the "Loan Agreement") with KMW Investments Limited, 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 Investments Limited. 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.

KMW Investments Limited holds 48% 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.

During the year, the aggregate Loan interest charged to KMW Investments Limited by the Company was approximately HK$568,000.

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 ending 31 December 2013 was HK$3,000,000.

During the year ended 31 December 2012, the aggregate rent paid by RS Corporation to U Investments for the Shatin Property amounted to HK$3,000,000.

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 2012, 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 the three years ending 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 ending 31 December 2013.

During the year ended 31 December 2012, 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$9,488,000 and HK$480,000 respectively.

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 2012 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 2012 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 period from the Listing Date to 31 December 2012.

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 2012, the audit committee of the Company consists of three members, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Ho Chun Fai. 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 2012 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 2012 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 the year ended 31 December 2011 and 2012 were audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the 2013 AGM.

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

Hong Kong, 28 March 2013

CORPORATE GOVERNANCE REPORT

The Broad has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) (the “Former Code”) and Corporate Governance Code (effective from 1 April 2012) (the “Revised Code”) under Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2012, the Company has complied with all applicable provisions of the Former Code and Revised Code.

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 Revised Code and align with the latest developments.

Board of Directors

Broad 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. Ho Chun Fai. 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.

Following the retirement of the former independent non-executive Director, Mr. Yu Ka Ho, on 11 May 2012, the Company had only two independent non-executive Directors and two audit committee members. The number falls below minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. On 12 July 2012, the Board appointed Mr. Ho Chun Fai as an independent non-executive Director in order to fill the casual vacancy caused by the retirement of Mr. Yu Ka Ho and to meet the minimum number of members’ requirement under the GEM Listing Rules.

Except for the above non-compliance, 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 2012. 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 2012 (except for Mr. Ho Chun Fai whose term commenced from 12 July 2012). 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 2012.

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.

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 Revised Code on Directors' training. During the year ended 31 December 2012, 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 (appointed on 12 July 2012)	✓
Mr. Yu Ka Ho (retired on 11 May 2012)	–

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 2012, 8 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 11 May 2012	EGM held on 12 January 2012
Executive Directors						
Mr. Wong KM	8/8	4/4	–	–	1/1	1/1
Ms. Lau LY	8/8	4/4	1/1	–	1/1	1/1
Independent non-executive Directors						
Mr. Li Fu Yeung	8/8	4/4	3/3	2/2	1/1	1/1
Ms. Chiu Man Yee	8/8	4/4	3/3	2/2	1/1	1/1
Mr. Ho Chun Fai (appointed on 12 July 2012)	2/2	2/2	–	–	–	–
Mr. Yu Ka Ho (retired on 11 May 2012)	4/4	1/1	1/1	1/1	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 Former Code as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, the Board adopted a set of the revised terms of reference of the audit committee of the Company, which has included changes in line with the Revised Code requirements effective from 1 April 2012. The revised terms of reference setting out the audit committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company.

As at 31 December 2012, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Ho Chun Fai. Mr. Li Fu Yeung is the chairman of the audit committee. During the year ended 31 December 2012, 4 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 Former Code as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, the Board adopted a set of the revised terms of reference of the remuneration committee of the Company, which has included changes in line with the Revised Code requirements effective from 1 April 2012. The revised 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 2012, the remuneration committee consists of three independent non-executive Directors, namely Ms. Chiu Man Yee, Mr. Li Fu Yeung and Mr. Ho Chun Fai. 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 2012, 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. Ho Chun Fai, 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 Revised Code as set out in Appendix 15 to the GEM Listing Rules. The 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.

As at 31 December 2012, the nomination committee consists of three independent non-executive Directors, namely Ms. Chiu Man Yee, Mr. Li Fu Yeung and Mr. Ho Chun Fai. Mr. Li Fu Yeung is the chairman of the nomination committee. During the year ended 31 December 2012, 2 meetings of nomination committee were held for, inter alia, considering the retirement and re-election of the Directors, the retirement of Mr. Yu Ka Ho and the appointment of Mr. Ho Chun Fai as independent non-executive Director.

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 Revised Code as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2012, the Board has reviewed the policy of the corporate governance 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 2012, 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 2012, the fees paid/payable to SHINEWING (HK) CPA Limited, the auditor of the Company, 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	900,000
Non-audit services:	
Other services	20,000
Total	920,000

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 recognizes 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.

Regarding the 2012 AGM held on 11 May 2012 and the extraordinary general meeting held on 12 January 2012, the Board and the auditor of the Company have attended and answered questions of the Shareholders.

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 2012, Mr. Wong undertook not less than 15 hours of professional training to update his skills and knowledge.

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 2012.

INDEPENDENT AUDITOR'S REPORT

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

TO THE MEMBERS 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 35 to 87, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 2012 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
28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Turnover	8	**357,844**	279,847
Other income	8	**655**	540
Cost of inventories consumed		**(118,553)**	(104,335)
Employee benefits expenses	9	**(110,708)**	(75,304)
Depreciation		**(15,081)**	(9,258)
Operating lease rentals and related expenses		**(35,790)**	(23,796)
Utilities expenses		**(24,971)**	(19,027)
Other gain (losses), net	9	**222**	(111)
Other operating expenses		**(23,398)**	(20,206)
Finance costs	10	**(246)**	(375)
Profit before tax	9	**29,974**	27,975
Income tax expenses	11	**(5,533)**	(5,069)
Profit and total comprehensive income for the year		**24,441**	22,906
Attributable to:			
Owners of the Company		**23,393**	22,904
Non-controlling interests		**1,048**	2
		24,441	22,906
Earnings per share			
Basic and diluted (HK cents)	14	**0.73**	0.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**60,226**	49,743
Investment property	16	**–**	5,878
Rental deposits	18	**8,128**	7,070
Prepayment for acquisition of property, plant and equipment		**380**	2,735
Loan receivable from a substantial shareholder	19	**9,900**	–
Deferred tax assets	23	**845**	297
		79,479	65,723
Current assets			
Inventories	17	**7,003**	6,867
Trade receivables	18	**1,655**	1,445
Prepayments, deposits and other receivables	18	**12,384**	7,902
Amount due from a related company	30	**–**	270
Amount due from a substantial shareholder	19	**568**	–
Income tax recoverable		**–**	839
Pledged bank deposit	20	**1,500**	1,500
Bank balances and cash	20	**61,088**	47,181
		84,198	66,004
Current liabilities			
Trade payables	21	**13,736**	11,667
Other payables, accruals and deposits received	21	**28,664**	24,780
Provision for reinstatement costs	24	**1,106**	–
Income tax payable		**2,430**	690
Bank borrowing, secured	22	**2,653**	2,900
		48,589	40,037
Net current assets		**35,609**	25,967
Total assets less current liabilities		**115,088**	91,690
Non-current liabilities			
Provision for reinstatement costs	24	**1,994**	2,325
Deferred tax liabilities	23	**32**	544
		2,026	2,869
		113,062	88,821

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Capital and Reserves			
Share capital	25	**3,200**	3,200
Reserves		**107,005**	83,612
Equity attributable to owners of the Company		**110,205**	86,812
Non-controlling interests		**2,857**	2,009
		113,062	88,821

The consolidated financial statements on pages 35 to 87 were approved and authorised for issue by the board of directors on 28 March 2013 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 2012

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *(Note)* *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	–	–	486	18,181	18,667	2,007	20,674
Profit for the year and total comprehensive income for the year	–	–	–	22,904	22,904	2	22,906
Issue of share on incorporation *(Note 25(a))*	–	–	–	–	–	–	–
Reorganisation *(Note 25(b))*	380	–	(380)	–	–	–	–
Capitalisation issue of shares *(Note 25(c))*	2,020	(2,020)	–	–	–	–	–
Issue of new shares *(Note 25(d))*	800	79,200	–	–	80,000	–	80,000
Transaction costs attributable to issue of new shares	–	(11,759)	–	–	(11,759)	–	(11,759)
Dividends *(Note 13)*	–	–	–	(23,000)	(23,000)	–	(23,000)
At 31 December 2011 and 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 interest	**–**	**–**	**–**	**–**	**–**	**(200)**	**(200)**
At 31 December 2012	**3,200**	**65,421**	**106**	**41,478**	**110,205**	**2,857**	**113,062**

Note: Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**29,974**	27,975
Adjustments for:		
Depreciation	**15,081**	9,258
Finance costs	**246**	375
Loss on disposal of financial assets at fair value through profit or loss	**–**	62
Gain from change in fair value of investment property	**(222)**	–
Loss on disposal of property, plant and equipment	**–**	49
Interest income	**(577)**	(145)
Operating cash flows before movements in working capital	**44,502**	37,574
Increase in inventories	**(136)**	(3,474)
Increase in trade receivables	**(210)**	(986)
Increase in prepayments, deposits and other receivables	**(5,540)**	(1,611)
Increase in trade payables	**2,069**	1,898
Increase in other payables, accruals and deposits received	**3,884**	12,096
Cash generated from operations	**44,569**	45,497
Interest paid	**(99)**	(259)
Hong Kong Profits Tax paid	**(4,014)**	(9,970)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**40,456**	35,268
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(16,481)**	(36,943)
Loan advanced to a substantial shareholder	**(9,900)**	–
Repayment from a related company	**270**	400
Purchase of investment property	**–**	(2,978)
Prepayment for acquisition of property, plant and equipment	**–**	(2,475)
Interest received	**9**	145
Decrease in amounts due from directors	**–**	2,604
Decrease in amount due from a non-controlling shareholder of a subsidiary	**–**	1,100
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	843
NET CASH USED IN INVESTING ACTIVITIES	**(26,102)**	(37,304)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(247)**	(15,000)
Dividends paid to non-controlling interests	**(200)**	–
Dividends paid to shareholders prior to reorganisation	**–**	(23,000)
Decrease in amounts due to directors	**–**	(12,988)
Payment of transaction costs attributable to issue of new shares	**–**	(11,759)
Decrease in amounts due to non-controlling shareholders of a subsidiary	**–**	(4)
New borrowings raised	**–**	15,000
Proceeds from issue of shares	**–**	80,000
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(447)**	32,249
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,907**	30,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**47,181**	16,968
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**61,088**	47,181

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 did not have any holding company.

The Company's principal activity during the year was investment holding. The principal activities of the principal subsidiaries are set out in Note 33.

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

Pursuant to a group reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") completed in June 2011 to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Company's prospectus dated 30 June 2011 (the "Prospectus"). The Company's shares have been listed on the GEM of the Stock Exchange since 8 July 2011.

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders, the Group is regarded as a continuing entity resulting from the reorganisation of entities under common control. These financial statements have been prepared in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure after Reorganisation had been in existence at the beginning of the earliest period presented. Accordingly, the consolidated results, assets and liabilities of the Group for the year ended 31 December 2011 include the results, assets and liabilities of the Company and its subsidiaries from 1 January 2011 or, if later, since their respective dates of incorporation, as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on consolidation.

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

In the current year, the Group has adopted the following new and revised HKFRSs issued by the HKICPA.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to 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.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property prior to the transfer to property, plant and equipment using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has held no material impact on the Group's deferred tax balances.

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

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.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government Loan[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

* IFRIC represents International Financial Reporting Interpretations Committee

[1] Effective for annual periods beginning on or after 1 July 2012.

[2] Effective for annual periods beginning on or after 1 January 2013.

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

[4] Effective for annual periods beginning on or after 1 January 2015.

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – 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 amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Continued)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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 are 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.

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

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (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. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these standards for the first time.

The above standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all the above standards are applied at the same time.

The directors of the Company anticipate that the application of the above standards will have no significant impact on amounts reported in the consolidated financial statements.

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

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 amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard will have no impact on the amounts currently reported in the consolidated financial statements as the Group currently did not have any financial instruments or any other assets/liabilities that are measured at fair value.

HKAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income 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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 GEM of the Stock Exchange ("GEM Listing Rules") and the Hong Kong Companies Ordinance. The principal accounting policies are set out below.

The consolidated financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Allocation of total comprehensive income to 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.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the previous reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in a subsidiary

Investment in a subsidiary is carried on the statement of financial position of the Company at cost less impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment.

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.

As 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the 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

Bank balances and cash in the statements 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.

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 to sell 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 unites for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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, amounts due from a substantial shareholder and a related company, 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).

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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, amounts due from a substantial shareholder and a related company, 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, amounts due from a substantial shareholder and a related company 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.

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 discount) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 comprehensive income. As at 31 December 2012, the carrying amount of property, plant and equipment was approximately HK$60,226,000 (2011: HK$49,743,000). No impairment had been recognised as at 31 December 2012 (2011: nil).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated fair value of investment property

Immediately prior to the transfer of respective investment property to property, plant and equipment, the Group's investment property was carried in the consolidated statement of financial position at its fair value of HK$6,100,000 (31 December 2011: HK$5,878,000). The fair value was determined by the directors of the Company which involve certain assumption of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

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 2012, the carrying amount of provision for reinstatements cost was approximately HK$3,100,000 (2011: HK$2,325,000).

Estimated impairment loss on loan receivable and amount due from a substantial shareholder

The Group makes impairment loss on loan receivable and amount due from a substantial shareholder based on an assessment of the recoverability of such receivables. Impairment losses are applied to such receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the present value of estimated future cash flow discounted at the original effective interest rate is lower than the carrying amount, such difference represents impairment loss on loan receivable and amount due from a substantial shareholder recognised as expense in the consolidated statement of comprehensive income. When the actual future cash flows are less than the expected, a material impairment loss may arise. As at 31 December 2012, the carrying amounts of the Company's loan receivable and amount due from a substantial shareholder are HK$9,900,000 (2011: nil) and HK$568,000 (2011: nil) respectively. No impairment had been recognised as at 31 December 2012 (2011: nil).

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 ratio are not applicable to the Group as at 31 December 2012 and 2011 as the Group's bank balances and cash is more than its bank borrowing.

6. FINANCIAL RISK MANAGEMENT

6a. Categories of financial instruments

	2012 ***HK$'000***	2011 *HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	**89,684**	61,911
Financial liabilities		
Financial liabilities at amortised cost	**39,940**	38,173

6b. Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade receivables, deposits and other receivables, loan receivable from a substantial shareholder, amount due from a substantial shareholder, amount due from a related company, 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

The Group is exposed to cash flow interest rate risk in relation to variable rate bank borrowing, loan receivable from a substantial shareholder (Note 19), pledged bank deposit and bank balances. 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 and bank deposits and 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 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 increase/ decrease (2011: decrease/ increase) the Group's profit after tax by approximately HK$61,000 (2011: HK$24,000).

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 2012, 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 51% (2011: 36%) and 92% (2011: 70%) of the total trade receivables was due from the largest counterparty and the three (2011: 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 directors of the Company consider the credit risk associated with loan receivable and amount due from a substantial shareholder is under control since the directors of the Company have exercised due care in granting credit and check the financial position of the substantial shareholder on a regular basis.

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 2012 and 2011, 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 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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Liquidity risk (Continued)

	At 31 December 2011		
	Within one year or on demand	Total undiscounted cash flow	Carrying Amount
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liabilities			
Trade payables	11,667	11,667	11,667
Other payables and accruals	23,606	23,606	23,606
Bank borrowing, secured *(note i)*	3,006	3,006	2,900
	38,279	38,279	38,173

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 2012, the aggregate undiscounted principal amount of this bank borrowing amounted to HK$2,653,000 (2011: HK$2,900,000). 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 108 (2011: 120) 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$3,096,000 (2011: HK$3,441,000).

(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.

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 the carrying amount of the interest-bearing non-current loan receivable from a substantial shareholder approximates its fair value as the interest is determined with reference to market interest rate.

The directors of the Company consider that the carrying amounts of 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.

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.

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 2012 and 2011.

8. TURNOVER AND OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Chinese restaurants operations	**357,844**	279,847
Other income		
Sub-letting income	**38**	350
Loan interest income from a substantial shareholder	**568**	–
Bank interest income	**9**	145
Sundry income	**40**	45
	655	540

9. PROFIT BEFORE TAX

	2012 HK$'000	2011 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Other (gain) losses, net		
Loss on disposal of financial assets at fair value through profit or loss	–	62
Loss on disposal of property, plant and equipment	–	49
Gain from change in fair value of investment property	(222)	–
	(222)	111
Employee benefits expenses (including directors' emoluments)		
Salaries, wages and allowances	106,088	72,021
Pension costs – defined contribution plans	4,620	3,283
	110,708	75,304
Auditor's remuneration	900	600
Kitchen consumables (included in other operating expenses)	2,303	3,530
Cleaning expenses (included in other operating expenses)	3,399	1,624
Operating lease rentals in respect of rented premises	30,706	21,240

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Finance cost on:		
Bank borrowing		
– wholly repayable within five years	–	244
– not wholly repayable within five years	99	–
Bank overdrafts	–	15
Unwinding of discount on provision for reinstatement costs *(Note 24)*	147	116
	246	375

11. INCOME TAX EXPENSES

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
Current year provision	**6,402**	3,706
Underprovision in prior years	**191**	150
Deferred income tax *(Note 23)*	**(1,060)**	1,213
	5,533	5,069

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 comprehensive income as follow:

	2012	2011
	HK$'000	*HK$'000*
Profit before tax	**29,974**	27,975
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**4,946**	4,616
Tax effect of income not taxable for tax purpose	**(36)**	(24)
Tax effect of expenses not deductible for tax purpose	**336**	1,057
Tax effect of tax losses not recognised	**96**	–
Utilisation of tax losses previously not recognised	**–**	(730)
Underprovision in prior years	**191**	150
Income tax expenses	**5,533**	5,069

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 2012			
	Fees *HK$'000*	**Salaries and other benefits** *HK$'000*	**Pension costs – defined contribution plans** *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

	Year ended 31 December 2011			
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Pension costs – defined contribution plans *HK$'000*	Total *HK$'000*
Executive directors:				
Mr. Wong Kwan Mo	–	–	–	–
Ms. Lau Lan Ying	–	–	–	–
Independent non-executive directors:				
Mr. Yu Ka Ho	29	–	–	29
Mr. Li Fu Yeung	29	–	–	29
Ms. Chiu Man Yee	29	–	–	29
	87	–	–	87

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 (Continued)

Ms. Lau Lan Ying is also the chief executive of the Company and her emolument disclosed above include those for services rendered by her as chief executive.

(b) Employees' emoluments

The five individuals with the highest emoluments in the Group for the two years ended 31 December 2012 and 2011 were all non-director employees. Their emoluments were as follows:

	2012	2011
	HK$000	*HK$000*
Salaries, wages and allowances	**3,213**	1,499
Pension costs – defined contributions plans	**47**	47
	3,260	1,546

The emoluments were within the following bands:

	Number of individuals	
	2012	2011
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–

During the two years ended 31 December 2012 and 2011, 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. DIVIDENDS

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2011, interim dividends amounting to HK$23,000,000 were declared and paid by Gayety Limited, a subsidiary of the Company, to its shareholder prior to the Reorganisation.

14. EARNINGS PER SHARE

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

	2012	2011
	HK$000	*HK$000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to the owners of the Company	**23,393**	22,904
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,200,000,000**	2,785,753,425

The weighted average number of shares in issue during the year ended 31 December 2011 represents the 240,000,000 shares (Notes 25(a), (b) and (c)) in issue before the listing of shares of the Company on the GEM of the Stock Exchange as if such shares were issued on 1 January 2011, and the weighted average of 38,575,343 (Note 25(d)) shares issued upon the listing of the Company's shares on the GEM of the Stock Exchange, and the aggregate number of 278,575,343 shares were then adjusted for the share sub-division during the year ended 31 December 2012. (Note 25(e)).

Diluted earnings per share for the year ended 31 December 2011 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	Leasehold improvements	Air-conditioning	Equipment and kitchen utensils	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2011	–	22,489	6,130	8,135	7,434	738	44,926
Additions	–	17,874	5,142	10,311	3,652	133	37,112
Disposals	–	–	–	–	(10)	(105)	(115)
At 31 December 2011 and 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 16)*	**6,100**	**–**	**–**	**–**	**–**	**–**	**6,100**
At 31 December 2012	**6,100**	**50,849**	**12,787**	**24,044**	**12,350**	**1,357**	**107,487**
ACCUMULATED DEPRECIATION							
At 1 January 2011	–	11,206	3,438	3,550	4,679	115	22,988
Provided for the year	–	4,611	1,328	1,698	1,500	121	9,258
Eliminated on disposals	–	–	–	–	(8)	(58)	(66)
At 31 December 2011 and 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	**77**	**23,546**	**6,662**	**9,043**	**7,555**	**378**	**47,261**
CARRYING VALUES							
At 31 December 2012	**6,023**	**27,303**	**6,125**	**15,001**	**4,795**	**979**	**60,226**
At 31 December 2011	–	24,546	6,506	13,198	4,905	588	49,743

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.

16. INVESTMENT PROPERTY

	2012 ***HK$'000***	2011 *HK$'000*
At fair value		
Balance at beginning of the year	**5,878**	–
Addition	**–**	5,878
Gain arising on change in fair value	**222**	–
Reclassification to property, plant and equipment *(Note 15)*	**(6,100)**	–
Balance at the end of the year	**–**	5,878

The fair value of the Group's investment property as at 31 December 2011 was determined by the directors of the Company by reference to market evidence of transaction prices for similar properties in the same locations and conditions. No valuation had been performed by independent qualified valuer.

At the date of transfer to property, plant and equipment, the fair value of the Group's investment property has been 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. Roma has 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.

The investment property of the Group as at 31 December 2011 was situated in Hong Kong and held under medium-term lease and had been pledged to secure bank borrowing of the Group. Details of bank borrowing are set out in Note 22.

17. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Food and beverages	6,733	6,503
Consumables	270	364
	7,003	6,867

18. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Non-current		
Rental deposits	8,128	7,070
Current		
Trade receivables	1,655	1,445
Prepayments, deposits and other receivables	12,384	7,902
	14,039	9,347

The aging analysis of trade receivables, based on invoice date which approximated the respective revenue recognition dates, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days and neither past due nor impaired	1,646	1,354
31 – 60 days	2	3
61 – 90 days	7	3
Over 90 days	–	85
	1,655	1,445

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

The Group does not hold any collateral over 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 2012 were receivables of HK$9,000 (2011: HK$91,000) 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 2011 and 2012.

The carrying amounts of the Group's trade receivables, deposits and other receivables are denominated in HK$.

19. LOAN RECEIVABLE AND AMOUNT DUE FROM A SUBSTANTIAL SHAREHOLDER

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

The amount due from a substantial shareholder represents the interest receivable due from KMW.

In the opinion of the directors of the Company, no impairment has been recognised in respect of the loan receivable and amount due from KMW as 31 December 2012.

The interest receivable due from KMW is guaranteed by the executive directors of the Company, interest-free, and repayable on demand.

The carrying amounts of the Group's loan receivable and amount due from a substantial shareholder are denominated in HK$.

20. PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

The carrying amounts of the Group's cash on hand, cash at banks and pledged bank deposit are denominated in HK$.

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

The pledged bank deposit as at 31 December 2011 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

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**13,736**	11,667
Other payables	**6,932**	13,433
Accruals	**16,619**	10,173
Deposits received	**5,113**	1,174
	28,664	24,780
	42,400	36,447

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**8,613**	8,341
31 – 60 days	**3,875**	3,326
61 – 90 days	**1,095**	–
Over 90 days	**153**	–
	13,736	11,667

Payment terms granted by suppliers are generally 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 2012 was amounts due to companies controlled by executive directors of the Company of approximately HK$2,533,000 (2011: HK$1,672,000).

The carrying amounts of the Group's trade payables, other payables, accruals and deposits received are denominated in HK$.

22. BANK BORROWING, SECURED

	2012	2011
	HK$'000	*HK$'000*
Mortgage loan, secured – repayable on demand	**2,653**	2,900

Based on the facility agreement, the mortgage loan will be repaid by 120 monthly installments commencing from January 2012. There are 108 (2011: 120) installments of the mortgage loan remained outstanding as at 31 December 2012. The facility agreement contains a repayment on demand clause pursuant to which the bank can at its discretion demand repayment of the entire outstanding balance from the Group in the absence of any defaults.

Mortgage loan carries interest at Prime Rate less 1.75% (2011: Prime Rate less 1.75%) per annum.

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

	2012	2011
Mortgage loan	**3.5%**	3.5%

As at 31 December 2012, the Group had aggregate banking facilities of approximately HK$4,203,000 (2011: HK$4,450,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK$107,000 (2011: HK$80,000) respectively. These facilities were secured by:

(a) The Group's pledged bank deposit (for the letter of guarantee) amounting to HK$1,500,000 (2011: HK$1,500,000) as at 31 December 2012;

(b) Leasehold land and building (2011: investment property) with a carrying amount of HK$6,023,000 (2011: HK$5,878,000) as at 31 December 2012; and

(c) 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:

	2012	2011
	HK$'000	*HK$'000*
Deferred tax assets	**845**	297
Deferred tax liabilities	**(32)**	(544)
	813	(247)

23. DEFERRED TAX (CONTINUED)

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

	Decelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
Deferred tax assets			
At 1 January 2011	1,041	398	1,439
Credited (charged) to profit or loss	413	(85)	328
At 31 December 2011 and 1 January 2012	**1,454**	**313**	**1,767**
Credited (charged) to profit or loss	**980**	**86**	**1,066**
At 31 December 2012	**2,434**	**399**	**2,833**

	Accelerated tax depreciation *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Deferred tax liabilities			
At 1 January 2011	(425)	(48)	(473)
Charged to profit or loss	(1,531)	(10)	(1,541)
At 31 December 2011 and 1 January 2012	**(1,956)**	**(58)**	**(2,014)**
Credited (charged) to profit or loss	**(36)**	**30**	**(6)**
At 31 December 2012	**(1,992)**	**(28)**	**(2,020)**

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 2012, the Group had tax loss carry-forwards of HK$2,998,000 (2011: HK$1,903,000) that can be carried forward against future taxable income indefinitely.

As at 31 December 2012, the Group did not recognise deferred tax assets in respect of tax losses amounting HK$582,000 (2011: nil) due to the unpredictability of future profit stream.

24. PROVISION FOR REINSTATEMENT COSTS

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**2,325**	2,209
Additional provision	**628**	–
Unwinding of discount on provision *(Note 10)*	**147**	116
At 31 December	**3,100**	2,325
Analysed into		
Current portion	**1,106**	–
Non-current portion	**1,994**	2,325
	3,100	2,325

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 2012 is 5.25% (2011: 5.25%).

25. SHARE CAPITAL

	Nominal value	**Number of shares**	**Share capital**
			HK$'000
Authorised			
Ordinary shares			
At 10 February 2011 (date of incorporation) *(Note (a))*	0.01	38,000,000	380
Increase during the year *(Note (b))*	0.01	962,000,000	9,620
As At 31 December 2011 and 1 January 2012	0.01	1,000,000,000	10,000
Share subdivision *(Note (e))*	0.001	9,000,000,000	–
At 31 December 2012	**0.001**	**10,000,000,000**	**10,000**

25. SHARE CAPITAL (CONTINUED)

	Nominal value	Number of shares	Share capital *HK$'000*
Issued and fully paid			
Ordinary shares			
At 10 February 2011 (date of incorporation) *(Note (a))*	0.01	1	–
Increase in the year *(Note (b))*	0.01	37,999,999	380
Capitalisation issue *(Note (c))*	0.01	202,000,000	2,020
Issue of shares by placing *(Note (d))*	0.01	80,000,000	800
As at 31 December 2011 and 1 January 2012	0.01	320,000,000	3,200
Share subdivision *(Note(e))*	0.001	2,880,000,000	–
At 31 December 2012	**0.001**	**3,200,000,000**	**3,200**

Notes:

(a) On incorporation of the Company, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the same date, one ordinary share was subscribed, nil-paid, by a nominee company which was an independent third party. On the same date, the said one nil-paid ordinary share was transferred to KMW. On 24 June 2011, the said one nil-paid share was fully paid up by KMW at par.

(b) Pursuant to a written resolution passed by KMW on 25 June 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of 962,000,000 new ordinary shares, which rank pari passu in all respects with the shares in issue as at the date of such resolution. On the same date, 37,999,999 ordinary shares, credited as fully paid, were issued to KMW.

(c) A total of 202,000,000 ordinary shares were credited as fully paid on 25 June 2011 by way of capitalisation of the sum of HK$2,020,000 standing to the credit of the share premium account of the Company, and the shares be allotted and issued rank pari passu in all respects with the existing issued shares.

(d) On 8 July 2011, 80,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$1 each. The new ordinary shares issued rank pari passu with the existing shares in all respects.

(e) 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.

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 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant of each eligible participant shall not exceed 1% of the total issued shares unless (i) a shareholders' circular is despatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.

The exercise price of the option shares granted under the Share Option Scheme may be determined by the Board of Directors at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 9 December 2011 unless terminated by the Group.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

No share options were granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 31 December 2012 (2011: nil).

27. OPERATING LEASE COMMITMENTS

(a) As lessor

Property rental income earned during the year was approximately HK$38,000 (2011: HK$350,000). 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 2012 (2011: nil), the Group did not have future minimum lease receivable.

(b) As lessee

The Group leases certain of its restaurants under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to ten years. Rental 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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**30,204**	27,072
In the second to fifth years inclusive	**79,889**	81,670
Over five years	**–**	4,610
	110,093	113,352

28. CAPITAL COMMITMENTS

	2012	2011
	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**	1,466
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**–**	7,832
	195	9,298

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

(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 executive directors of the Company, who are also the ultimate controlling parties of the Company, and a close family member of the executive directors during both reporting periods:

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Rental expenses	*(i)*	**9,960**	3,030
Purchase of goods	*(ii)*	**10,796**	9,871
Loan interest income from a substantial shareholder *(Note 19)*		**568**	–

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

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

	2012 **HK$'000**	2011 *HK$'000*
Rental expenses payables to a related company owned by the executive directors	**–**	130

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

Notes:

(i) Rental expenses were determined based on terms mutually agreed with the landlord.

(ii) The details of the balances advanced to related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Related companies	As at 31 December		Maximum amount outstanding during the year	
	2012	2011	**2012**	2011
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
KMW *(Note 19)*	**10,468**	–	**10,468**	–
Red Seasons Investments Limited ("RSI")	**–**	270	**462**	270

RSI is controlled and beneficially owned by the executive directors of the Company.

(iii) The amount due from RSI is unsecured, interest-free and fully settled as at 31 December 2012.

(c) Other arrangements with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions:

Compensation of key management personnel

The remuneration of directors and other members of key management of the Company during the year ended 31 December 2012 and 2011 are as follows:

	2012	2011
	HK\$'000	*HK\$'000*
Short-term benefits	**1,204**	638
Post-employment benefits	**21**	17
	1,225	655

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. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2011, the Group acquired an investment property at an aggregate consideration of approximately HK$5,878,000. The amount was partially settled by a mortgage loan of approximately HK$2,900,000.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012	2011
	HK$'000	*HK$'000*
Non-current assets		
Investment in a subsidiary	**13,086**	13,086
Loan receivable from a substantial shareholder *(Note 19)*	**9,900**	–
	22,986	13,086
Current assets		
Prepayments, deposits and other receivables	**219**	226
Amounts due from subsidiaries *(note a)*	**54,068**	60,528
Amount due from a substantial shareholder *(Note 19)*	**568**	–
Bank balances and cash	**234**	3,690
	55,089	64,444
Current liability		
Other payables	**935**	390
Net current assets	**54,154**	64,054
	77,140	77,140
Capital and reserves		
Share capital	**3,200**	3,200
Reserves *(note b)*	**73,940**	73,940
	77,140	77,140

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

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:

	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 10 February 2011 (date of incorporation)	–	–	–	–
Reorganisation	–	12,706	–	12,706
Capitalisation issue of shares	(2,020)	–	–	(2,020)
Issue of new shares	79,200	–	–	79,200
Transaction costs attributable to issue of new shares	(11,759)	–	–	(11,759)
Loss for the year	–	–	(4,187)	(4,187)
At 31 December 2011 and 1 January 2012	65,421	12,706	(4,187)	73,940
Profit for the year	–	–	–	–
As 31 December 2012	65,421	12,706	(4,187)	73,940

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 Reorganisation and the consolidated equity of the subsidiaries acquired by the Company.

33. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2012 and 2011 are as follows:

Name	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital	Percentage of equity 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	Hong Kong	HK$800,000	–	60%	Restaurant operations and licence holding
Blissful Dragon Limited	BVI	US$1	–	100%	Property holding
Red Seasons Development Limited	Hong Kong	HK$2,100,000	–	100%	Restaurant operations and licence holding
Home-made Cuisine Catering Limited*	Hong Kong	HK$1	–	100%	Restaurant operations and licence holding

33. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

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

* Subsidiaries incorporated during the year ended 31 December 2012

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.

SUMMARY OF FINANCIAL INFORMATION

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

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