



喜尚控股有限公司 Gayety Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8179

2013

First Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Gayety Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. Li Fu Yeung
Ms. Chiu Man Yee
Mr. Ho Chun Fai

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

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)
Mr. Li Fu Yeung
Mr. Ho Chun Fai

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Ho Chun Fai

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

HIGHLIGHTS

- The Group's turnover for the three months ended 31 March 2013 increased by approximately 17% to approximately HK\$97,695,000 (2012: HK\$83,528,000).
- Profit attributable to the owners of the Company for the three months ended 31 March 2013 increased by approximately 13% to approximately HK\$3,858,000 (2012: HK\$3,426,000).
- Basic earnings per share for the three months ended 31 March 2013 was approximately HK0.12 cents (2012: HK0.11 cents).

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2013 (the “First Quarterly Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2013

	Notes	For the three months ended 31 March	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	4	97,695	83,528
Other income	4	161	139
Cost of inventories consumed		(31,694)	(30,317)
Employee benefits expenses	5	(31,839)	(27,381)
Depreciation		(4,055)	(3,529)
Operating lease rentals and related expenses		(9,949)	(7,907)
Utilities expenses		(6,288)	(5,557)
Other operating expenses		(8,584)	(4,937)
Finance costs	6	(62)	(56)
Profit before tax	7	5,385	3,983
Income tax expenses	8	(1,384)	(657)
Profit and total comprehensive income for the period		4,001	3,326
Attributable to:			
Owners of the Company		3,858	3,426
Non-controlling interests		143	(100)
		4,001	3,326
Earnings per share			
Basic and diluted	9	0.12	0.11

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2013

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Other reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	Note(i) (Unaudited)	Note(ii) (Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2013	3,200	65,421	106	-	41,478	110,205	2,857	113,062
Profit and total comprehensive income for the period	-	-	-	-	3,858	3,858	143	4,001
Transactions with non-controlling interests	-	-	-	728	-	728	(1,428)	(700)
Balance at 31 March 2013	3,200	65,421	106	728	45,336	114,791	1,572	116,363
Balance at 1 January 2012	3,200	65,421	106	-	18,085	86,812	2,009	88,821
Profit and total comprehensive income for the period	-	-	-	-	3,426	3,426	(100)	3,326
Dividends (Note 10)	-	-	-	-	-	-	(200)	(200)
Balance at 31 March 2012	3,200	65,421	106	-	21,511	90,238	1,709	91,947

Notes:

- (i) Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.
- (ii) Other reserve represents the transactions with the non-controlling interests.

NOTES TO THE FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2013

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company were listed on the GEM of The Stock Exchange since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Shop 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories. At the end of the reporting period and the date of the First Quarterly Financial Statements, the Company did not have any holding company.

The Company's principal activity during the period was investment holding. The Group's principal activity during the period was the operation of a chain of Chinese restaurants in Hong Kong.

2. BASIS OF PREPARATION

The First Quarterly Financial Statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Rules").

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2012, except for the adoption of the new and revised HKFRSs. The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual report for the year ended 31 December 2012.

The First Quarterly Financial Statements have been prepared on the historical cost basis. The First Quarterly Financial Statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs, which are effective for the Group's accounting period beginning on or after 1 January 2013.

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

The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these First Quarterly Financial Statements:

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹

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

² Effective for annual periods beginning on or after 1 January 2015.

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

4. **TURNOVER AND OTHER INCOME**

	For the three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover		
Chinese restaurant operations	97,695	83,528
Other income		
Sub-letting income	10	10
Bank interest income	2	7
Loan interest income from a substantial shareholder (<i>Note</i>)	146	120
Sundry income	3	2
	161	139

Note: On 18 January 2012, the Company entered into a loan agreement with KMW Investments Limited, Mr. Wong Kwan Mo and Ms. Lau Lan Ying pursuant to which the Company agreed to provide a 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 Kwan Mo and Ms. Lau Lan Ying to the Company. The loan bears interest rate at Hong Kong Prime Rate plus 1% and is repayable in 3 years from the date of drawdown. Details of which were set out in the announcement of the Company dated 18 January 2012. As at 31 March 2013, the balance due from KMW Investments Limited included the principal amount of HK\$9,900,000 and interest receivable of approximately HK\$146,000.

5. **EMPLOYEE BENEFITS EXPENSES**

	For the three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Salaries, wages and allowances	28,741	25,570
Pension costs – defined contribution plans	1,354	1,089
Provision for unutilised annual leave	612	522
Other employee benefits	1,132	200
	31,839	27,381

6. FINANCE COSTS

	For the three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Finance costs on bank borrowing not wholly repayable within five years	23	26
Unwinding of discount on provision for reinstatement costs	39	30
	62	56

7. PROFIT BEFORE TAX

	For the three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit before tax is stated after charging the following:		
Kitchen consumables (included in other operating expenses)	763	338
Cleaning expenses (included in other operating expenses)	985	542
Operating lease rentals in respect of rented premises	8,470	7,037

8. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current income tax	1,384	657

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

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the three months ended 31 March 2013 is based on the profit attributable to owners of the Company of HK\$3,858,000 (2012: HK\$3,426,000) and the weighted average of 3,200,000,000 ordinary shares in issue (2012: 3,200,000,000 ordinary shares).

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

10. DIVIDENDS

	For the three months ended 31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividends	-	-

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's first quarterly results for the three months ended 31 March 2013.

Business Review

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

The Group has succeeded in achieving remarkable growth since its establishment. During the three months ended 31 March 2013, the Group has also broken new ground, establishing its ninth restaurant under its fourth brand "Home-made Cuisine" in Olympian City. As at 31 March 2013, we are operating nine restaurants under four brands which are described below.

Red Seasons

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Many customers have found the allure of Red Seasons irresistible, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns. During the three months ended 31 March 2013, the Red Seasons restaurants have achieved a satisfactory result with the turnover up by around 21% to approximately HK\$52,760,000 as compared to the last corresponding period.

Plentiful Delight Banquet

The second brand established by the Group, Plentiful Delight Banquet serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet can manage large-scale events up to 1,200 guests on a single occasion. During the three months ended 31 March 2013, Plentiful Delight Banquet recorded turnover of approximately HK\$24,792,000, an increase of approximately 3% as compared to the last corresponding period.

Red Royalty Banquet

Since its grand opening in December 2011, Red Royalty Banquet has registered an excellent performance. What differentiates it from Plentiful Delight Banquet is that Red Royalty Banquet provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty Banquet's scale of operations is the largest within the Group's existing restaurants with a seating capacity of 120 banquet tables and can serve up to 1,400 guests on a single occasion.

During the three months ended 31 March 2013, Red Royalty Banquet generated turnover of approximately HK\$18,028,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty Banquet increased by approximately 13% as compared to last corresponding period.

Home-made Cuisine

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

The second restaurant under the brand of Home-made Cuisine is located in Olympian City and commenced business in March 2013. During the three months ended 31 March 2013, Home-made Cuisine generated turnover of approximately HK\$2,115,000.

Financial Review

During the three months ended 31 March 2013, the Group's revenue amounted to approximately HK\$97,695,000, representing an increase of approximately 17% as compared to the last corresponding period. 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 13% to approximately HK\$3,858,000, representing a profit margin of approximately 4% (2012:4%).

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

The cost of inventories consumed for the three months ended 31 March 2013 amounted to approximately HK\$31,694,000 (2012: HK\$30,317,000). 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 36% of the Group's turnover.

Employee benefits expenses were approximately HK\$31,839,000 (2012: HK\$27,381,000). The increase was mainly due to the newly opened Wan Chai Red Seasons and Home-made Cuisine restaurants, and the wage adjustments to retain experienced staff under the inflationary environment during the three months ended 31 March 2013. 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 three months ended 31 March 2013 amounted to approximately HK\$9,949,000, representing an increase of approximately 26% as compared to the last corresponding period. The increase was mainly due to the newly opened Wan Chai Red Seasons and Home-made Cuisine restaurants. To better control the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

Outlook and prospects

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

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

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

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

On 8 May 2013, the Company has submitted an application to the Stock Exchange for the transfer of listing of all shares of the Company from the GEM to the Main Board of the Stock Exchange (the "Transfer of Listing") under Chapter 9A of the Listing Rules. The

Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the shares of the Company. The Board also considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility. There is no intention of the Board to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve issue of any new shares by the Company. The Transfer of Listing is subject to the approval of the Stock Exchange.

Liquidity, Financial and Capital Resources

Capital structure

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

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

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group expects to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts.

Cash position

As at 31 March 2013, the carrying amount of the Group's bank balances and cash was approximately HK\$59,217,000 (31 December 2012: approximately HK\$61,088,000).

The pledged bank deposit of approximately HK\$1,500,000 as at 31 December 2012 and 31 March 2013 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group.

Bank borrowing and charges on the Group's assets

As at 31 March 2013, bank borrowing of HK\$2,590,000 (31 December 2012: HK\$2,653,000) represented the secured mortgage loan. Based on the facility agreement, the mortgage loan will be repaid by 120 monthly instalments commencing from January 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% per annum. The effective interest rate at the end of the reporting period is 3.5% per annum (31 December 2012: 3.5%).

As at 31 December 2012 and 31 March 2013, the Group had aggregate banking facilities of approximately HK\$4,203,000 and HK\$4,140,000 respectively for loans and other facilities (including letter of guarantee). Unused facilities as at the same dates amounted to approximately HK\$107,000 and HK\$107,000 respectively. These facilities were secured by:

- (a) The Group's pledged bank deposit (for the letter of guarantee) amounting to HK\$1,500,000 (31 December 2012: HK\$1,500,000) as at 31 March 2013;
- (b) Leasehold land and building with a carrying amount of HK\$5,986,000 (31 December 2012: HK\$6,023,000) as at 31 March 2013; 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.

Gearing ratio

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

Gearing ratio is not applicable to the Group as at 31 December 2012 and 31 March 2013 as the Group's bank balances and cash is larger than its bank borrowing.

Dividends

Details of the dividends are set out in Note 10 to the First Quarterly Financial Statements.

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 three months ended 31 March 2013. Save for the business plan as disclosed in the prospectus of the Company and elsewhere in this report, there is no plan for material investments or capital assets as at 31 March 2013.

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 Share Option Scheme since its adoption.

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

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

Long Positions in the Company

Name of Director	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Wong Kwan Mo (<i>Note</i>)	Interest in controlled corporation	1,665,208,000	52%
Ms. Lau Lan Ying (<i>Note</i>)	Interest in controlled corporation	1,665,208,000	52%

Note:

1,415,208,000 and 250,000,000 shares are owned by KMW 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 Kwan Mo and 50% by Ms. Lau Lan Ying.

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

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 March 2013, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following persons have interests or short positions in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
KMW Investments Limited (Note)	Beneficial owner	1,415,208,000	44%
Strong Light Investments Limited (Note)	Beneficial owner	250,000,000	8%

Note:

1,415,208,000 and 250,000,000 shares are owned by KMW 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 Kwan Mo and 50% by Ms. Lau Lan Ying.

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the three months ended 31 March 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the three months ended 31 March 2013.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 31 March 2013, as notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 June 2011 and the appointment of Quam Capital Limited as the financial adviser of the Company in relation to the proposed Transfer of Listing under Chapter 9A of the Listing Rules (details of which were disclosed in the announcement of the Company dated 8 May 2013), neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the three months ended 31 March 2013 or as at 31 March 2013.

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 Code on Corporate Governance (effective until 31 March 2012) as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, the Board adopted a set of the revised terms of reference of the audit committee of the Company, which has included changes in line with the Corporate Governance Code requirements effective from 1 April 2012. The revised terms of reference setting out the audit committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company.

As at 31 March 2013, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Ho Chun Fai. Mr. Li Fu Yeung is the chairman of the audit committee.

The audit committee had reviewed the unaudited First Quarterly Financial Statements for the three months ended 31 March 2013 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 15 May 2013

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