



喜尚控股有限公司 Gayety Holdings Limited

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



2014

Interim Report

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

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

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent non-executive Directors

Mr. Li Fu Yeung
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Compliance Officer

Ms. Lau Lan Ying

Authorised Representatives

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

Company Secretary

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

Audit Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Remuneration Committee Members

Ms. Chiu Man Yee (*Chairman*)
Mr. Li Fu Yeung
Mr. Kwan Wai Yin, William

Nomination Committee Members

Mr. Li Fu Yeung (*Chairman*)
Ms. Chiu Man Yee
Mr. Kwan Wai Yin, William

Auditors

SHINEWING (HK) CPA Limited
Certified Public Accountants

Legal Advisers to the Company

Michael Li & Co.

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Registered Office

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PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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

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New Territories
Hong Kong

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
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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 six months ended 30 June 2014 increased by approximately 21% to approximately HK\$221,345,000 (2013: HK\$182,932,000).
- Profit attributable to the owners of the Company for the six months ended 30 June 2014 decreased by approximately 1% to approximately HK\$7,991,000 (2013: HK\$8,068,000).
- Basic earnings per share for the six months ended 30 June 2014 were approximately HK\$0.25 cents (2013: HK\$0.25 cents).

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2014 (the “Interim Financial Statements”), together with the unaudited comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2014

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	6	111,481	85,237	221,345	182,932
Other income	6	171	215	189	376
Cost of inventories consumed		(34,200)	(26,458)	(68,920)	(58,152)
Employee benefits expenses	8	(36,210)	(26,540)	(73,599)	(58,379)
Depreciation		(5,529)	(4,145)	(10,935)	(8,200)
Operating lease rentals and related expenses		(11,083)	(10,345)	(22,813)	(20,294)
Utilities expenses		(8,220)	(6,636)	(15,578)	(12,924)
Other operating expenses		(10,633)	(5,589)	(19,216)	(14,173)
Finance costs	9	(131)	(63)	(199)	(125)
Profit before tax	10	5,646	5,676	10,274	11,061
Income tax expenses	11	(1,110)	(1,160)	(2,190)	(2,544)
Profit for the period		4,536	4,516	8,084	8,517
Attributable to:					
Owners of the Company		4,158	4,210	7,991	8,068
Non-controlling interests		378	306	93	449
		4,536	4,516	8,084	8,517
Earnings per share					
– Basic and diluted (HK cents)	12	0.13	0.13	0.25	0.25

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

For the three months and six months ended 30 June 2014

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit for the period	4,536	4,516	8,084	8,517
Other comprehensive income for the period:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operation	–	–	(7)	–
Total comprehensive income for the period	4,536	4,516	8,077	8,517
Attributable to:				
Owners of the Company	4,158	4,210	7,984	8,068
Non-controlling interests	378	306	93	449
	4,536	4,516	8,077	8,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	14	68,030	77,073
Goodwill	22	5,138	–
Interest in a joint venture		1	1
Rental deposits		10,692	10,876
Prepayment for acquisition of property, plant and equipment		1,488	157
Deferred tax assets		2,467	2,467
		87,816	90,574
Current assets			
Inventories		8,682	10,409
Trade receivables	15	9,420	1,582
Prepayments, deposits and other receivables		18,758	14,183
Income tax receivable		532	750
Pledged bank deposits		5,020	1,500
Bank balances and cash		69,223	65,612
		111,635	94,036
Current liabilities			
Trade and bills payables	16	13,751	10,973
Other payables, accruals and deposits received		34,411	37,392
Provision for reinstatement costs		545	–
Income tax payable		4,003	2,336
Bank borrowings, secured	17	8,867	2,397
		61,577	53,098
Net current assets		50,058	40,938
Total assets less current liabilities		137,874	131,512

	Note	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Non-current liabilities			
Provision for reinstatement costs		3,322	3,770
Deferred tax liabilities		369	369
		3,691	4,139
		134,183	127,373
Capital and reserves			
Share capital	18	3,200	3,200
Reserves		129,195	121,211
Equity attributable to owners of the Company		132,395	124,411
Non-controlling interests		1,788	2,962
		134,183	127,373

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2014	3,200	65,421	106	448	-	55,236	124,411	2,962	127,373
Profit and total comprehensive income for the period	-	-	-	-	(7)	7,991	7,984	93	8,077
Acquisition of subsidiaries (Note 22)	-	-	-	-	-	-	-	(1,005)	(1,005)
Capital contributions from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	638	638
Dividend (Note 13)	-	-	-	-	-	-	-	(900)	(900)
At 30 June 2014	3,200	65,421	106	448	(7)	63,227	132,395	1,788	134,183
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	-	-	-	-	-	8,068	8,068	449	8,517
Transactions with non-controlling interests	-	-	-	1,147	-	-	1,147	(331)	816
At 30 June 2013	3,200	65,421	106	1,147	-	49,546	119,420	2,975	122,395

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash flows generated from operating activities	9,619	3,420
Net cash used in investing activities	(7,308)	(7,718)
Net cash used in financing activities	(1,279)	(127)
Net increase (decrease) in cash and cash equivalents	1,032	(4,425)
Cash and cash equivalents at beginning of period	65,612	61,088
	66,644	56,663
Cash and cash equivalents at end of period		
Bank balances and cash	69,223	56,663
Bank overdrafts	(2,579)	–
	66,644	56,663

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

Notes:

1. GENERAL INFORMATION

Gayety Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Shop 46, G/F., Ho Shun Tai Building, No. 10 Sai Ching Street, Yuen Long, New Territories.

At the end of the reporting period and the date of these Interim Financial Statements, the Company's immediate and ultimate holding company is KMW Investments Limited, a company incorporated in British Virgin Islands.

The Company's principal activity during the period was investment holding. The Group's principal activities during the period were (i) the operation of a chain of Chinese restaurants; and (ii) production, sales and distribution of food products to chain supermarkets in Hong Kong.

2. BASIS OF PREPARATION

The Interim 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 Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2013, except for the adoption of the new and revised HKFRSs. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual report for the year ended 31 December 2013.

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

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs, which are effective for the Group's accounting period beginning on or after 1 January 2014.

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

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

Impact of issued but not yet effective HKFRSs

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

Amendment to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle ¹
Amendment to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation ³
HKFRS 14	Regulatory Deferral Account ³
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹

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

² Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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

4. ESTIMATES

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual report for the year ended 31 December 2013.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the the annual report for the year ended 31 December 2013.

There have been no changes in any risk management policies.

5.2 Liquidity risk

The Group's remaining contractual maturity for its non-derivative financial liabilities, based on the agreed repayment terms, as at 31 December 2013 and 30 June 2014 is repayable on demand or within one year.

As at 30 June 2014, bank borrowings of HK\$8,867,000 (31 December 2013: HK\$2,397,000) represented the secured bank loans and bank overdrafts. The facility agreements contain the repayment on demand clause pursuant to which the banks can at their discretion demand repayment of the entire outstanding balances from the Group in the absence of any defaults.

The Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment, after taking into account the Group's financial position.

5.3 Fair value estimation

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 consider that the carrying amount of the non-current deposits approximates the fair value as the impact of discounting is immaterial.

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

6. TURNOVER AND OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover				
Chinese restaurant operation	96,311	85,237	206,175	182,932
Food products operation	15,170	–	15,170	–
	111,481	85,237	221,345	182,932
Other income				
Bank interest income	88	–	90	2
Sundry income	74	57	80	60
Sub-letting income	9	9	19	19
Loan interest income from a substantial shareholder (Note 21(b))	–	149	–	295
	171	215	189	376

7. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group.

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

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

Food products operation – The production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei, to chain supermarkets in Hong Kong.

Segment revenues and results

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

For the six months ended 30 June

	Chinese restaurant operation		Food products operation		Consolidated	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue from external customers	206,175	182,932	15,170	–	221,345	182,932
Segment results	13,075	13,259	371	–	13,446	13,259
Unallocated income					90	2
Unallocated corporate expenses					(3,063)	(2,075)
Finance costs					(199)	(125)
Profit before tax					10,274	11,061
Income tax expenses					(2,190)	(2,544)
Profit for the period					8,084	8,517
Other segment information:						
Amount included in the measure of segment results:						
Depreciation	10,895	8,200	40	–	10,935	8,200

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

Segment assets and liabilities

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

Segment assets

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Chinese restaurant operation	113,362	117,497
Food products operation	11,845	–
Unallocated	74,244	67,113
Consolidated assets	199,451	184,610

Segment liabilities

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Chinese restaurant operation	45,393	54,840
Food products operation	11,008	–
Unallocated	8,867	2,397
Consolidated liabilities	65,268	57,237

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in a joint venture, pledged bank deposits and bank balances and cash; and
- all liabilities are allocated to operating segments other than bank borrowings.

Geographical information

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

8. EMPLOYEE BENEFITS EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries, wages and allowances	34,608	25,315	68,331	55,800
Incentive payments	–	–	2,100	–
Contributions to retirement benefits scheme – defined contribution plan	1,602	1,225	3,168	2,579
	36,210	26,540	73,599	58,379

9. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Finance costs on bank borrowings:				
wholly repayable within five years	39	–	39	–
not wholly repayable within five years	21	22	41	45
Unwinding of discount on provision for reinstatement costs	49	41	97	80
Bank overdrafts and bills interests	22	–	22	–
	131	63	199	125

10. PROFIT BEFORE TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging the following:				
Kitchen consumables (include in other operating expenses)	760	681	1,552	1,444
Cleaning expenses (include in other operating expenses)	995	987	2,130	1,972
Operating lease rentals in respect of rented premises	9,374	8,485	18,938	16,955

11. INCOME TAX EXPENSES

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current income tax				
Current year provision	1,609	1,160	2,689	2,544
Over provision in prior years	(499)	–	(499)	–
	1,110	1,160	2,190	2,544

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

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2014 are based on the unaudited consolidated profit of approximately HK\$4,158,000 and HK\$7,991,000 attributable to owners of the Company for the three months and six months ended 30 June 2014 respectively (three months and six months ended 30 June 2013: HK\$4,210,000 and HK\$8,068,000 respectively) and the weighted average number of ordinary shares of 3,200,000,000 and 3,200,000,000 (three months and six months ended 30 June 2013: 3,200,000,000 and 3,200,000,000 respectively) in issue during the respective periods.

The diluted earnings per share for the three months and six months ended 30 June 2013 and 2014 are the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.

13. DIVIDEND

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Dividend	–	–	900	–

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 and 2014.

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

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, additions of property, plant and equipment amounted to approximately HK\$1,942,000 (additions for the year ended 31 December 2013: HK\$36,815,000). Property, plant and equipment of approximately HK\$679,000 included in the additions is attributable to the acquisition of subsidiaries.

15. TRADE RECEIVABLES

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

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within 30 days and neither past due nor impaired	9,080	969
31 – 60 days	210	232
61 – 90 days	130	381
	9,420	1,582

Certain restaurant customers and chain supermarkets are granted a credit period of 30 days. Included in trade receivables balances as at 30 June 2014 were receivables of approximately HK\$340,000 (31 December 2013: HK\$613,000) that were past due. The trade receivables included in the above aging analysis are considered not impaired as there is no recent history of default. No provision for impairment of trade receivables was made as at 31 December 2013 and 30 June 2014. The Group does not hold any collateral over these balances.

16. TRADE AND BILLS PAYABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within 30 days	8,642	7,727
31 – 60 days	4,444	2,963
61 – 90 days	609	159
Over 90 days	56	124
	13,751	10,973

Payment terms granted by suppliers are generally 30 to 60 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 30 June 2014 was amounts due to companies controlled by executive Directors of the Company of approximately HK\$237,000 (31 December 2013: HK\$1,698,000).

17. BANK BORROWINGS, SECURED

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Bank loans, secured – repayable on demand	6,288	2,397
Bank overdrafts, secured	2,579	–
	8,867	2,397

The analysis of the carrying amount of bank borrowings is as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Bank overdrafts	2,579	–
Portion of bank loans due for repayment within one year	1,664	265
Portion of bank loans due for repayment after one year which contain a repayment on demand clause	4,624	2,132
	8,867	2,397

As at the end of the reporting periods, the Group's bank borrowings were due for repayment as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Overdrafts repayable on demand	2,579	–
Portion of bank loans due for repayment within one year	1,664	265
	4,243	265
Bank loans due for repayment after one year (<i>Note</i>):		
After 1 year but within 2 years	1,693	274
After 2 years but within 5 years	2,112	883
After 5 years	819	975
	4,624	2,132
	8,867	2,397

Note:

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The bank borrowings carry floating rate interest based on the banks' prime rate and their cost of fund ("Prime Rate") and the effective interest rates ranged from 3.5% to 5.75% (2013: 3.5%) per annum.

Bank overdrafts carry floating rate interest based on the Prime Rate and the effective interest rates ranged from 5.5% to 7.75% (2013: Nil) per annum.

As at 31 December 2013 and 30 June 2014, the Group had aggregate banking facilities of approximately HK\$3,947,000 and HK\$13,072,000 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\$4,291,000 respectively. These facilities were secured by:

- (a) The Group's pledged bank deposits (for the letter of guarantee) amounting to HK\$5,020,000 (31 December 2013: HK\$1,500,000) as at 30 June 2014;
- (b) Leasehold land and building with a carrying amount of HK\$5,795,000 (31 December 2013: HK\$5,870,000) as at 30 June 2014;
- (c) Guaranteed from Mr. Wong Kwan Mo and Ms. Lau Lan Ying, executive Directors, to the extent of HK\$50,000;
- (d) Guarantee from Hong Kong Mortgage Corporation Limited and HKSAR Government; and
- (e) Unlimited guarantees from certain minority shareholders of a subsidiary.

18. SHARE CAPITAL

	Nominal value	Number of shares	Share capital HK\$'000
Authorised			
Ordinary shares			
At 1 January 2013	0.001	10,000,000,000	10,000
Increase in authorised share capital (<i>Note</i>)	0.001	90,000,000,000	90,000
At 31 December 2013, 1 January 2014 and 30 June 2014	0.001	100,000,000,000	100,000
Issued and fully paid			
Ordinary shares			
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	0.001	3,200,000,000	3,200

Note:

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

19. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting of the Company held on 9 December 2011, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of rewarding eligible participants who had made contribution to the Group as well as providing incentives in retaining the Group's existing employees and recruiting additional employees in attaining the long term objectives of the Group.

Subject to the terms of the Share Option Scheme, the Directors may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 9 December 2011 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

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

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

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

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

No share options have been granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 30 June 2014 (31 December 2013: nil).

20. COMMITMENTS

(a) Capital commitments

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Interim Financial Statements	1,407	—

(b) Operating lease commitments

As lessee

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to six years. 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:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within one year	28,132	37,250
In the second to fifth years inclusive	66,179	86,788
Over five years	–	5,128
	94,311	129,166

21. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Transactions with connected and related parties

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

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

		For the three months ended 30 June		For the six months ended 30 June	
	<i>Notes</i>	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Rental expense	<i>(i)</i>	2,490	2,465	4,980	4,930
Purchase of goods	<i>(ii)</i>	2,663	1,983	5,468	4,069
Loan interest income from a substantial shareholder		–	149	–	295

Notes:

- (i) Rental expenses were charged according to the terms of the rental agreement entered into between the parties.
- (ii) Purchases of goods from connected and related companies were made on a mutually agreed basis.

(b) Balances with connected and related parties

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

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

(c) Others arrangements with connected and related parties

Compensation of key management personnel

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short-term benefits	270	249	615	566
Post-employment benefits	4	4	8	8
	274	253	623	574

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

22. BUSINESS COMBINATIONS

On 1 May 2014, Lucky Great Investment Limited (a non-wholly owned subsidiary of the Group) acquired 58% equity interests in cash of Nicecity Limited ("Nicecity") and Excellent Catering Management Limited ("Excellent Catering") for an aggregate cash consideration of HK\$3,750,000. Nicecity and Excellent Catering are principally engaged in the production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei, to chain supermarkets in Hong Kong.

Consideration transferred

	<i>HK\$'000</i>
Cash	3,750

Assets acquired and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
Property, plant and equipment	679
Prepayment for acquisition of property, plant and equipment	16
Trade receivables	7,700
Prepayments, deposits and other receivables	2,792
Pledged bank deposits	3,503
Bank balances and cash	77
Trade and bills payable	(6,904)
Other payables and accruals	(3,887)
Income tax payable	(201)
Bank borrowings, secured (included bank overdrafts of approximately HK\$1,915,000)	(6,168)
	(2,393)

The fair value of trade receivables and deposits and other receivables at the date of acquisition amounted to approximately HK\$10,353,000. The gross contractual amounts of those trade receivables and deposits and other receivables acquired amounted to approximately HK\$10,353,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Goodwill arising on acquisition

	<i>HK\$'000</i>
Consideration transferred	3,750
Less: non-controlling interests	(1,005)
Add: net liabilities acquired	2,393
	<hr/>
Goodwill arising on acquisition	5,138
	<hr/> <hr/>

The non-controlling interests in Nicecity and Excellent Catering recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Nicecity and Excellent Catering and amounted to HK\$2,393,000.

Net cash outflow on acquisition of Nicecity and Excellent Catering

	<i>HK\$'000</i>
Cash consideration paid	(3,750)
Cash and cash equivalents acquired	(1,838)
	<hr/>
	(5,588)
	<hr/> <hr/>

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2014 is approximately HK\$310,000 attributable to Nicecity and Excellent Catering. Turnover for the six months ended 30 June 2014 included approximately HK\$15,170,000 contributed by Nicecity and Excellent Catering.

Had the acquisition of Nicecity and Excellent Catering been completed at the beginning of the interim period, the total amount of turnover of the Group for the six months ended 30 June 2014 would have been approximately HK\$251,737,000, and the amount of the profit for the interim period would have been approximately HK\$9,224,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's interim results for the six months ended 30 June 2014.

Business Review

Restaurant operation

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

The Group has achieved stable growth for the six months ended 30 June 2014. As at 30 June 2014, we are operating ten restaurants under four brands and their performances are outlined below.

Red Seasons Aroma Restaurant (“Red Seasons”)

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Many customers have found the allure of Red Reasons irresistible, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns (“Roast Suckling Pig”). During the six months ended 30 June 2014, the Red Seasons restaurants have achieved a satisfactory result with the turnover up by around 25% to approximately HK\$121,712,000 as compared to the last corresponding period.

Plentiful Delight Banquet

The second brand established by the Group, Plentiful Delight Banquet serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet is ideal for large-scale events up to 1,200 guests on a single occasion. During the six months ended 30 June 2014, Plentiful Delight Banquet recorded turnover of approximately HK\$43,418,000, a slight decrease of approximately 6% as compared to the last corresponding period.

Red Royalty Banquet

Red Royalty Banquet provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty Banquet's scale of operations is the largest within the Group's existing restaurants with a seating capacity of 120 banquet tables and can serve up to 1,400 guests on a single occasion.

During the six months ended 30 June 2014, Red Royalty Banquet generated turnover of approximately HK\$33,915,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty Banquet amounted to approximately HK\$77,333,000 which was similar to that of the last corresponding period.

Home-made Cuisine

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

During the six months ended 30 June 2014, Home-made Cuisine generated turnover of approximately HK\$7,130,000.

Food products operation

During the six months ended 30 June 2014, the Group has acquired 58% equity interests of Nicecity and Excellent Catering for a cash consideration of HK\$3,750,000 in aggregate. Nicecity and Excellent Catering are principally engaged in the production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei, to chain supermarkets in Hong Kong. They are now operating a food processing factory in Tsuen Wan and over 60 concessionaire stores in chain supermarkets located in various districts in Hong Kong.

During the six months ended 30 June 2014, Nicecity and Excellent Catering generated turnover of approximately HK\$15,170,000.

Financial Review

During the six months ended 30 June 2014, the Group's revenue amounted to approximately HK\$221,345,000, representing an increase of approximately 21% as compared to the last corresponding period. This was mainly attributable to the growth in comparable restaurant sales and the contribution from the newly acquired food products operation. Profit attributable to owners of the Group decreased by approximately 1% to approximately HK\$7,991,000, representing a profit margin of approximately 4% (2013: 4%).

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

The cost of inventories consumed for the six months ended 30 June 2014 amounted to approximately HK\$68,920,000 (2013: HK\$58,152,000). The Group increased bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing. These procedures helped maintain the cost of inventories consumed below approximately 32% of the Group's revenue.

Employee benefits expenses were approximately HK\$73,599,000 (2013: HK\$58,379,000). The increase was mainly due to the newly opened Sai Wan Red Seasons, Olympian City Home-made Cuisine restaurants, the newly acquired food products operation and the wage adjustments to retain experienced staff under the inflationary environment during the six months ended 30 June 2014. The Group regularly reviews the work allocations of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the six months ended 30 June 2014 amounted to approximately HK\$22,813,000, representing an increase of approximately 12% as compared to the last corresponding period. The increase was mainly due to the newly opened Sai Wan Red Seasons and Olympian City 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

In order to succeed and deliver the best to shareholders, management will closely monitor the market situation and enhance the business operations.

The four brands of the Group have differentiated target markets and positioning which the management considers can address the various needs of the customers. Due to the delay of the handover of the properties in Popcorn 2, Tseung Kwan O, from the landlord, the Group has withdrawn and ceased the establishment of the new Home-made Cuisine. Nonetheless, the management is committed to bolster the customer base. The Group will continue to search for suitable sites with high traffic flow and reasonable rentals for expansion. The Group is continuously developing appetising specialty dishes as well as providing better quality services to customers so as to solidify the Group's market position.

The acquisition of the food products operation reflects the commitment to expand the Group's business and operation. The Group could leverage on the synergies among the restaurant and the food products operation. The existing restaurant operation is benefited by the distribution channel of the food products operation. The Group is planning to sell its signature dish, Roast Suckling Pig, through the concessionaire stores operated by Nicecity and Excellent Catering. The food products operation will achieve economies of scale through the bulk purchases of the restaurant operation. The Group can now penetrate into new businesses through the food products operation.

The management also realises the growing opportunities for business expansion in the People's Republic of China (the "PRC"). The Group is now in the preliminary stage of establishing two eateries featuring a wide variety of Hong Kong-style cuisine in Shanghai. The management believes these new restaurants provide a golden opportunity for the Group to tap the PRC market.

Liquidity, Financial and Capital Resources

Capital structure

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

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

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

Cash position

As at 30 June 2014, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$69,223,000 (31 December 2013: approximately HK\$65,612,000).

The pledged bank deposits of approximately HK\$1,500,000 as at 31 December 2013 and HK\$5,020,000 as at 30 June 2014 were pledged to banks for the banking facilities of the Group.

Bank borrowings

Details of bank borrowings as at 30 June 2014 are set out in Note 17 to the Interim Financial Statements.

Gearing ratio

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

Gearing ratio was not applicable to the Group as at 30 June 2014 as the Group's bank balances and cash are larger than its bank borrowings.

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.

Capital Expenditure and Commitments

Details of the capital expenditure and capital commitments are set out in the Notes 14 and 20 to the Interim Financial Statements respectively.

Charges on Assets

Details of the charges on the Group's assets as at 30 June 2014 were set out in Note 17 to the Interim Financial Statements.

Contingent Liabilities

Save as disclosed elsewhere in the Interim Financial Statements, there were no other significant contingent liabilities of the Group as at 30 June 2014.

Dividend

Details of the dividend are set out in the Note 13 to the Interim Financial Statements.

Employees Numbers and Remuneration Policy

As at 30 June 2014, the Group had 810 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

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

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

SHARE OPTION SCHEME

Details of the share option scheme are set out in the Note 19 to the Interim Financial Statements.

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

As at 30 June 2014, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Company

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

Note:

1,415,208,000 and 250,000,000 shares are owned by KMW Investments Limited 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 30 June 2014, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in 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 30 June 2014, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following persons have interest or short position 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 was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Long positions in shares and underlying shares of the Company

Name	Capacity/ nature of interest	Total number of ordinary shares	Approximate percentage of interest
KMW 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 30 June 2014, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who was 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 six months ended 30 June 2014 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the six months ended 30 June 2014.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any non-compliance during the six months ended 30 June 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2014.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference setting out the audit committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company.

As at 30 June 2014, the audit committee of the Company consists of three independent non-executive Directors, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William. Mr. Li Fu Yeung is the chairman of the audit committee.

The audit committee had reviewed the Interim Financial Statements for the six months ended 30 June 2014 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 14 August 2014

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