



喜尚控股有限公司  
**GAYETY HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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

## **HIGHLIGHTS**

- The Group's turnover for the six months ended 30 June 2012 increased by approximately 30.4% to approximately HK\$170,409,000 (2011: HK\$130,664,000).
- Profit attributable to the owners of the Company for the six months ended 30 June 2012 increased by approximately 6.6% to approximately HK\$7,362,000 (2011: HK\$6,904,000).
- Basic earnings per share for the six months ended 30 June 2012 were approximately HK\$0.23 cents (2011: HK\$0.29 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 2012, together with the unaudited comparative figures for the corresponding period in 2011, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2012

|   | Notes | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|---|-------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|   |       | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Turnover  | 8     | 86,881                                | 63,964                          | 170,409                             | 130,664                         |
| Other income  | 8     | 158                                   | 167                             | 297                                 | 347                             |
| Cost of inventories consumed                            |       | (29,835)                              | (23,492)                        | (60,152)                            | (46,471)                        |
| Employee benefits expenses                              | 9     | (25,930)                              | (17,741)                        | (53,311)                            | (37,035)                        |
| Depreciation  |       | (3,603)                               | (2,212)                         | (7,132)                             | (4,445)                         |
| Operating lease rental and<br>related expenses          |       | (9,128)                               | (5,598)                         | (17,035)                            | (11,133)                        |
| Utilities expenses                                      |       | (5,900)                               | (4,895)                         | (11,457)                            | (9,499)                         |
| Other (losses) gains                                    |       | –                                     | (37)                            | –                                   | 13                              |
| Other operating expenses                                |       | (6,424)                               | (5,504)                         | (11,361)                            | (12,249)                        |
| Finance costs   | 10    | (62)                                  | (123)                           | (118)                               | (152)                           |
| Profit before tax                                       | 11    | 6,157                                 | 4,529                           | 10,140                              | 10,040                          |
| Income tax expenses                                     | 12    | (1,773)                               | (982)                           | (2,430)                             | (2,268)                         |
| Profit and total comprehensive<br>income for the period |       | <u>4,384</u>                          | <u>3,547</u>                    | <u>7,710</u>                        | <u>7,772</u>                    |
| <b>Attributable to:</b>                                 |       |                                       |                                 |                                     |                                 |
| Owners of the Company                                   |       | 3,936                                 | 3,323                           | 7,362                               | 6,904                           |
| Non-controlling interests                               |       | 448                                   | 224                             | 348                                 | 868                             |
|   |       | <u>4,384</u>                          | <u>3,547</u>                    | <u>7,710</u>                        | <u>7,772</u>                    |
| Earnings per share                                      |       |                                       |                                 |                                     |                                 |
| – Basic and diluted (HK cents)                          | 13    | <u>0.12</u>                           | <u>0.14</u>                     | <u>0.23</u>                         | <u>0.29</u>                     |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2012

|  |    | As at<br><b>30 June</b><br><b>2012</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | As at<br>31 December<br>2011<br><i>HK\$'000</i><br>(Audited) |
|--|----|---|--|
| <b>Non-current assets</b>                            |    |   |  |
| Plant and equipment                                  | 15 | 56,129  | 49,743   |
| Investment property                                  |    | 5,878   | 5,878  |
| Rental deposits                                      |    | 9,732   | 7,070  |
| Prepayment for acquisition of<br>plant and equipment |    | 1,660   | 2,735  |
| Loan to ultimate holding company                     | 22 | 10,169  | –  |
| Deferred tax assets                                  |    | 297   | 297  |
|  |    | 83,865  | 65,723   |
|  |    | 83,865  | 65,723   |
| <b>Current assets</b>                                |    |   |  |
| Inventories  |    | 7,739   | 6,867  |
| Trade receivables                                    | 16 | 1,627   | 1,445  |
| Prepayments, deposits and other receivables          |    | 9,296   | 7,902  |
| Amount due from a related company                    | 22 | 505   | 270  |
| Income tax recoverable                               |    | 706   | 839  |
| Pledged bank deposit                                 |    | 1,500   | 1,500  |
| Bank balances and cash                               |    | 33,325  | 47,181   |
|  |    | 54,698  | 66,004   |
|  |    | 54,698  | 66,004   |
| <b>Current liabilities</b>                           |    |   |  |
| Trade payables                                       | 17 | 10,222  | 11,667   |
| Other payables, accruals and deposits received       |    | 22,848  | 24,780   |
| Income tax payable                                   |    | 2,890   | 690  |
| Bank borrowing, secured                              | 18 | 2,778   | 2,900  |
|  |    | 38,738  | 40,037   |
|  |    | 38,738  | 40,037   |
| <b>Net current assets</b>                            |    | 15,960  | 25,967   |
| <b>Total assets less current liabilities</b>         |    | 99,825  | 91,690   |

|  |    | As at<br>30 June<br>2012<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2011<br><i>HK\$'000</i><br>(Audited) |
|--|----|--|--|
| <b>Non-current liabilities</b>               |    |  |  |
| Provision for reinstatement costs            |    | 2,943  | 2,325  |
| Deferred tax liabilities                     |    | <u>551</u>   | <u>544</u>   |
|  |    | -----<br>3,494   | -----<br>2,869   |
|  |    | <b><u>96,331</u></b>                                       | <b><u>88,821</u></b>   |
| <b>Capital and reserves</b>                  |    |  |  |
| Share capital                                | 19 | 3,200  | 3,200  |
| Reserves                                     |    | <u>90,974</u>  | <u>83,612</u>  |
| Equity attributable to owners of the Company |    | 94,174   | 86,812   |
| Non-controlling interests                    |    | <u>2,157</u>   | <u>2,009</u>   |
|  |    | <b><u>96,331</u></b>                                       | <b><u>88,821</u></b>   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

|  | Attributable to owners of the Company |                      |                                     |                      |                      | Non-<br>controlling<br>interests | Total                |
|--|---------------------------------------|----------------------|-------------------------------------|----------------------|----------------------|----------------------------------|----------------------|
|  | Share<br>capital                      | Share<br>premium     | Capital<br>reserve<br><i>(Note)</i> | Retained<br>earnings | Total                |                                  |                      |
|  | <i>HK\$'000</i>                       | <i>HK\$'000</i>      | <i>HK\$'000</i>                     | <i>HK\$'000</i>      | <i>HK\$'000</i>      | <i>HK\$'000</i>                  | <i>HK\$'000</i>      |
|  | (Unaudited)                           | (Unaudited)          | (Unaudited)                         | (Unaudited)          | (Unaudited)          | (Unaudited)                      | (Unaudited)          |
| <b>Balance at 1 January 2012</b>                           | <b>3,200</b>                          | <b>65,421</b>        | <b>106</b>                          | <b>18,085</b>        | <b>86,812</b>        | <b>2,009</b>                     | <b>88,821</b>        |
| Profit and total<br>comprehensive income<br>for the period | -                                     | -                    | -                                   | <b>7,362</b>         | <b>7,362</b>         | <b>348</b>                       | <b>7,710</b>         |
| Dividends <i>(Note 14)</i>                                 | -                                     | -                    | -                                   | -                    | -                    | <b>(200)</b>                     | <b>(200)</b>         |
| <b>Balance at 30 June 2012</b>                             | <b><u>3,200</u></b>                   | <b><u>65,421</u></b> | <b><u>106</u></b>                   | <b><u>25,447</u></b> | <b><u>94,174</u></b> | <b><u>2,157</u></b>              | <b><u>96,331</u></b> |
| <b>Balance at 1 January 2011</b>                           | -                                     | -                    | 486                                 | 18,181               | 18,667               | 2,007                            | 20,674               |
| Issue of share on<br>incorporation                         | -                                     | -                    | -                                   | -                    | -                    | -                                | -                    |
| Reorganisation   | 380                                   | -                    | (380)                               | -                    | -                    | -                                | -                    |
| Profit and total<br>comprehensive income<br>for the period | -                                     | -                    | -                                   | 6,904                | 6,904                | 868                              | 7,772                |
| Dividends <i>(Note 14)</i>                                 | -                                     | -                    | -                                   | (23,000)             | (23,000)             | -                                | (23,000)             |
| <b>Balance at 30 June 2011</b>                             | <b><u>380</u></b>                     | <b><u>-</u></b>      | <b><u>106</u></b>                   | <b><u>2,085</u></b>  | <b><u>2,571</u></b>  | <b><u>2,875</u></b>              | <b><u>5,446</u></b>  |

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2012

|  | For the six months<br>ended 30 June    |  |
|--|--|--|
|  | 2012<br><i>HK\$'000</i><br>(Unaudited) | 2011<br><i>HK\$'000</i><br>(Unaudited) |
| Net cash flows generated from operating activities                                   | 8,487                                  | 9,863                                  |
| Net cash used in investing activities  | (12,128)                               | (323)                                  |
| Net cash used in financing activities  | <u>(10,215)</u>                        | <u>(16,088)</u>                        |
| Net decrease in cash and cash equivalents  | (13,856)                               | (6,548)                                |
| Cash and cash equivalents at beginning of period                                     | <u>47,181</u>                          | <u>16,968</u>                          |
| Cash and cash equivalents at end of period,<br>represented by bank balances and cash | <u><u>33,325</u></u>                   | <u><u>10,420</u></u>                   |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

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

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. REORGANISATION AND BASIS OF PREPARATION

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

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders, the Group is regarded as a continuing entity resulting from the reorganisation of entities under common control. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 (the "Interim Financial Statements") have been prepared on the basis that the current group structure had been in existence at the beginning of the earliest period presented. Accordingly, the unaudited condensed consolidated results, assets and liabilities of the Group for the six months ended 30 June 2011 and 2012 include the results, assets and liabilities of the Company and its subsidiaries with effect from 1 January 2011 or, if later, since their respective dates of incorporation, as if the current group structure had been in existence as at that date. All material intra-group transactions and balances have been eliminated on consolidation.

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 2011, 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 2011.

The Interim Financial Statements have been prepared on the historical cost basis except for the investment property, which is measured at fair values. 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 2012.

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

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:

|                      |   |
|----------------------|---|
| HKFRS 1 (Amendments) | Government Loan <sup>2</sup>  |
| HKFRS 7 (Amendments) | Disclosure – Offsetting Financial Assets and Financial Liabilities <sup>2</sup><br>Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>4</sup> |
| HKFRS 9              | Financial Instruments <sup>4</sup>  |
| HKFRS 10             | Consolidated Financial Statements <sup>2</sup>  |
| HKFRS 11             | Joint Arrangements <sup>2</sup>   |
| HKFRS 12             | Disclosure of Interests in Other Entities <sup>2</sup>  |
| HKFRS 13             | Fair Value Measurement <sup>2</sup>   |
| HKAS 1 (Amendment)   | Presentation of Items of Other Comprehensive Income <sup>1</sup>  |
| HKAS 19 (Revised)    | Employee Benefits <sup>2</sup>  |
| HKAS 27 (Revised)    | Separate Financial Statements <sup>2</sup>  |
| HKAS 28 (Revised)    | Investments in Associates and Joint Ventures <sup>2</sup>   |
| HKAS 32 (Amendments) | Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>   |
| HK(IFRIC) – INT20    | Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>4</sup> 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. 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 2011.

## **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 2011.

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 2011 and 30 June 2012 is repayable on demand or within one year.

As at 30 June 2012, bank borrowing of HK\$2,778,000 (31 December 2011: HK\$2,900,000) represented the secured mortgage loan. Based on the facility agreement, the mortgage loan is being 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.

The Directors do not believe that it is probable that the bank will exercise its discretionary right 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 amounts of financial assets and financial liabilities records at amortised cost in the Interim Financial Statements approximate their fair values due to their short-term maturities.

## **6. SEASONALITY OF OPERATIONS**

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

## **7. SEGMENT INFORMATION**

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

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

## 8. TURNOVER AND OTHER INCOME

|                               | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|-------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                               | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| <b>Turnover</b>               |                                       |                                 |                                     |                                 |
| Chinese restaurant operations | <u>86,881</u>                         | <u>63,964</u>                   | <u>170,409</u>                      | <u>130,664</u>                  |
| <b>Other income</b>           |                                       |                                 |                                     |                                 |
| Sub-letting income            | 9                                     | 150                             | 19                                  | 300                             |
| Sundry income                 | –                                     | 17                              | 2                                   | 45                              |
| Bank interest income          | –                                     | –                               | 7                                   | 2                               |
| Interest income from KMW      | <u>149</u>                            | <u>–</u>                        | <u>269</u>                          | <u>–</u>                        |
|                               | <u>158</u>                            | <u>167</u>                      | <u>297</u>                          | <u>347</u>                      |

## 9. EMPLOYEE BENEFITS EXPENSES

|  | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|  | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Salaries, wages and allowances             | 23,098                                | 16,510                          | 48,668                              | 33,973                          |
| Pension costs – defined contribution plans | 1,132                                 | 795                             | 2,221                               | 1,605                           |
| Provision for unutilised annual leave      | 28                                    | 154                             | 550                                 | 692                             |
| Other employee benefits                    | <u>1,672</u>                          | <u>282</u>                      | <u>1,872</u>                        | <u>765</u>                      |
|  | <u>25,930</u>                         | <u>17,741</u>                   | <u>53,311</u>                       | <u>37,035</u>                   |

## 10. FINANCE COSTS

|  | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|  | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Finance costs:   |                                       |                                 |                                     |                                 |
| Bank loans wholly repayable                                  |                                       |                                 |                                     |                                 |
| within five years  | 24                                    | 87                              | 50                                  | 87                              |
| Bank overdrafts  | –                                     | 7                               | –                                   | 8                               |
| Unwinding of discount of provision for<br>reinstatement cost | <u>38</u>                             | <u>29</u>                       | <u>68</u>                           | <u>57</u>                       |
|  | <u>62</u>                             | <u>123</u>                      | <u>118</u>                          | <u>152</u>                      |

## 11. PROFIT BEFORE TAX

|  | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|  | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Profit before tax is stated<br>after charging the following: |                                       |                                 |                                     |                                 |
| Kitchen consumables  | 612                                   | 809                             | 950                                 | 1,724                           |
| Cleaning expenses  | 819                                   | 397                             | 1,361                               | 775                             |
| Operating lease rentals<br>in respect of rented premises     | 7,708                                 | 5,328                           | 14,771                              | 10,713                          |

## 12. INCOME TAX EXPENSES

|                    | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|--------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|                    | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Current income tax | 1,766                                 | 982                             | 2,423                               | 2,268                           |
| Deferred tax       | 7                                     | –                               | 7                                   | –                               |
|                    | 1,773                                 | 982                             | 2,430                               | 2,268                           |

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2012.

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2012 are based on the unaudited consolidated profit of approximately HK\$3,936,000 and HK\$7,362,000 attributable to owners of the Company for the three months and six months ended 30 June 2012 respectively (three months and six months ended 30 June 2011: HK\$3,323,000 and HK\$6,904,000 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 2011: 2,400,000,000 and 2,400,000,000 respectively) in issue during the respective periods.

The diluted earnings per share for the respective periods are the same as basic earnings per share as there are no dilutive potential ordinary shares.

## 14. DIVIDENDS

|           | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|-----------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|           | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Dividends | –                                     | 7,000                           | 200                                 | 23,000                          |

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

During the six months ended 30 June 2012, interim dividends amounting to HK\$200,000 was paid by Sencas Limited, a non-wholly owned subsidiary of the Company, to its minority shareholders.

During the six months ended 30 June 2011, interim dividends amounting to HK\$23,000,000 were declared and paid by Gayety Limited, a subsidiary of the Company, to its shareholder prior to the Reorganisation.

## 15. PLANT AND EQUIPMENT

During the six months ended 30 June 2012, additions of plant and equipment amounted to approximately HK\$13,518,000 (additions for the year ended 31 December 2011: HK\$37,112,000).

## 16. TRADE RECEIVABLES

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

|  | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2011<br/>HK\$'000<br/>(Audited)</b> |
|--|--|--|
| Within 30 days and neither past due nor impaired | 1,627  | 1,354  |
| 31 to 60 days and past due                       | –  | 3  |
| 61 to 90 days and past due                       | –  | 3  |
| Over 90 days and past due                        | –  | 85   |
|  | <u>1,627</u>   | <u>1,445</u>   |

The Group's sales are mainly conducted in cash or by credit cards. Certain customers are granted a credit period of 30 days. None of trade receivables balance as at 30 June 2012 (31 December 2011: HK\$91,000) were past due. The trade receivables included in the above aging analysis are considered not impaired as there is no recent history of default. No provision for impairment of trade receivables was made as at 31 December 2011 and 30 June 2012. The Group does not hold any collateral over these balances.

The carrying amounts of the Group's trade receivables are denominated in HK\$.

## 17. TRADE PAYABLES

|                | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2011<br/>HK\$'000<br/>(Audited)</b> |
|----------------|--|--|
| Within 30 days | 7,602  | 8,341  |
| 31 to 60 days  | 2,615  | 3,326  |
| 61 to 90 days  | 5  | –  |
|                | <u>10,222</u>  | <u>11,667</u>  |

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

The carrying amounts of the Group's trade payables are denominated in HK\$.

Included in trade payables as at 30 June 2012 was amounts due to companies controlled by executive Directors of the Company of approximately HK\$1,560,000 (31 December 2011: HK\$1,672,000).

**18. BANK BORROWING, SECURED**

|  | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|--|---|
| Mortgage loan, secured – repayable on demand | <u><b>2,778</b></u>  | <u>2,900</u>  |

Based on the facility agreement, the mortgage loan is being repaid by 120 monthly instalments commencing from January 2012. 114 instalments of the mortgage loan remained outstanding as at 30 June 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 as follows:

|               | <b>As at<br/>30 June<br/>2012<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>(Audited) |
|---------------|---|---|
| Mortgage loan | <u><b>3.5%</b></u>                                | <u>3.5%</u>                               |

As at 31 December 2011 and 30 June 2012, the Group had aggregate banking facilities of approximately HK\$4,450,000 and HK\$4,378,000 respectively for loans and other facilities (including letter of guarantee). Unused facilities as at the same dates amounted to approximately HK\$80,000 and HK\$157,000 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 2011: HK\$1,500,000) as at 30 June 2012;
- (b) An investment property with fair value of HK\$5,878,000 as at 30 June 2012 (31 December 2011: HK\$5,878,000); and
- (c) Personal guarantees executed by Ms. Lau Lan Ying and Mr. Wong Kwan Mo, executive Directors and substantial shareholders of the Company, to the extent of HK\$100,000 for certain business credit cards.

## 19. SHARE CAPITAL

|  | Nominal<br>value per share<br>HK\$ | Number<br>of shares   | Nominal<br>value<br>HK\$'000<br>(Unaudited) |
|--|------------------------------------|-----------------------|---|
| <b>Authorised</b>                                      |                                    |                       |   |
| At 10 February 2011 (date of incorporation) (Note (a)) | 0.01                               | 38,000,000            | 380   |
| Increase during the year (Note (b))                    |                                    | <u>962,000,000</u>    | <u>9,620</u>                                |
| As at 31 December 2011 and 1 January 2012              | 0.01                               | 1,000,000,000         | 10,000                                      |
| Share subdivision (Note (e))                           |                                    | <u>9,000,000,000</u>  | <u>–</u>                                    |
| As at 30 June 2012                                     | <u>0.001</u>                       | <u>10,000,000,000</u> | <u>10,000</u>                               |
| <b>Issued and fully paid</b>                           |                                    |                       |   |
| At 10 February 2011 (date of incorporation) (Note (a)) | 0.01                               | 1                     | –   |
| Increase in the year (Note (b))                        |                                    | 37,999,999            | 380   |
| Capitalisation issue (Note (c))                        |                                    | 202,000,000           | 2,020                                       |
| Issue of shares by placing (Note (d))                  |                                    | <u>80,000,000</u>     | <u>800</u>                                  |
| As at 31 December 2011 and 1 January 2012              | 0.01                               | 320,000,000           | 3,200                                       |
| Share subdivision (Note (e))                           |                                    | <u>2,880,000,000</u>  | <u>–</u>                                    |
| As at 30 June 2012                                     | <u>0.001</u>                       | <u>3,200,000,000</u>  | <u>3,200</u>                                |

### Notes:

- (a) On incorporation of the Company, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share was subscribed, nil-paid, by a nominee company which was an independent third party. On the same date, the said one nil-paid ordinary share was transferred to KMW. On 24 June 2011, the said one nil-paid share was fully paid up by KMW at par.
- (b) Pursuant to a written resolution passed by KMW on 25 June 2011, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 new ordinary shares, which rank pari passu in all respects with the shares in issue as at the date of such resolution. On the same date, 37,999,999 ordinary shares, credited as fully paid, were issued to KMW.
- (c) A total of 202,000,000 ordinary shares were credited as fully paid on 25 June 2011 by way of capitalisation of the sum of HK\$2,020,000 standing to the credit of the share premium account of the Company, and the shares be allotted and issued rank pari passu in all respects with the existing issued shares.
- (d) On 8 July 2011, 80,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$1 each. The new ordinary shares issued rank pari passu with the existing shares in all respects.
- (e) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting held on 12 January 2012, the Company's then issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company were sub-divided into 10 shares of HK\$0.001 each (the "Share Sub-division").

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

Details of the Share Sub-division are set out in the Company's announcement dated 16 December 2011.

## 20. 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 were granted since the adoption of the Share Option Scheme and there were no share option outstanding as at 30 June 2012 (31 December 2011: Nil).



## 21. COMMITMENTS

### (a) Capital commitments

|  | As at<br>30 June<br>2012<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2011<br><i>HK\$'000</i><br>(Audited) |
|--|--|--|
| Capital expenditure in respect of acquisition of plant and equipment contracted for but not provided in the Interim Financial Statements | 3,663  | 1,466  |
| Capital expenditure in respect of acquisition of plant and equipment authorised but not contracted for                                   | <u>—</u>   | <u>7,832</u>   |
|  | <b><u>3,663</u></b>  | <b><u>9,298</u></b>  |

### (b) Operating lease commitments

#### *As lessee*

The Group leases certain of its restaurants under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to ten years. Rental arrangements 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<br>30 June<br>2012<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2011<br><i>HK\$'000</i><br>(Audited) |
|--|--|--|
| Within one year                        | 30,316   | 27,072   |
| In the second to fifth years inclusive | 75,100   | 81,670   |
| Over five years                        | <u>—</u>   | <u>4,610</u>   |
|  | <b><u>105,416</u></b>                                      | <b><u>113,352</u></b>  |

## 22. CONNECTED AND RELATED PARTY TRANSACTIONS

### (a) Transactions with connected and related parties

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

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

|                   | <i>Notes</i> | For the three months<br>ended 30 June |                                | For the six months<br>ended 30 June |                                |
|-------------------|--------------|---------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                   |              | 2012                                  | 2011                           | 2012                                | 2011                           |
|                   |              | <i>HK\$'000</i><br>(Unaudited)        | <i>HK\$'000</i><br>(Unaudited) | <i>HK\$'000</i><br>(Unaudited)      | <i>HK\$'000</i><br>(Unaudited) |
| Rental expense    | (i)          | 2,465                                 | 725                            | 4,930                               | 1,450                          |
| Purchase of goods | (ii)         | 3,162                                 | 2,268                          | 5,783                               | 4,889                          |
| Interest income   | (iii)        | 149                                   | –                              | 269                                 | –                              |

*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 cost basis.
- (iii) On 18 January 2012, the Company entered into a loan agreement with KMW for advancing a loan of HK\$9,900,000 to KMW. The loan was unsecured, bear interest at Prime Rate plus 1% accrued from day to day, and repayable in 3 year from the date of drawdown. Details of which were set out in the announcement of the Company dated 18 January 2012.

### (b) Balances with connected and related parties

Save as disclosed elsewhere in the Interim Financial Statements, the Group had the following balances with connected and related parties:

|   | As at<br>30 June<br>2012<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 December<br>2011<br><i>HK\$'000</i><br>(Audited) |
|---|--|--|
| Loan to KMW (including both principal and interest amount) ( <i>Note</i> )                    | 10,169   | –  |
| Rental expenses and deposits payables to a related company owned by the Ultimate Shareholders | 505  | 270  |

*Note:* Details of the loan to KMW are set out in Note 22(a)(iii) to the Interim Financial Statements.

(c) **Others arrangements with connected and related parties**

Save as disclosed elsewhere in the Interim Financial Statements, the Group had the following connected and related party transactions:

*Compensation of key management personnel*

|   | For the three months<br>ended 30 June |                                 | For the six months<br>ended 30 June |                                 |
|---|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
|   | 2012<br>HK\$'000<br>(Unaudited)       | 2011<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| Salaries, wages and allowances                | 104                                   | 112                             | 264                                 | 257                             |
| Pension costs – defined<br>contribution plans | 2                                     | 5                               | 5                                   | 9                               |
|   | <u>106</u>                            | <u>117</u>                      | <u>269</u>                          | <u>266</u>                      |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

During the review period, the Group continued to achieve a satisfactory result. The Group's revenue amounted to approximately HK\$170,409,000, representing an increase of approximately 30.4% compared to the corresponding period last year. The rise in revenue was mainly due to the strong growth in comparable restaurant sales. Profit attributable to owners of the Group increased by approximately 6.6% to approximately HK\$7,362,000, representing a profit margin of approximately 4.3% (2011: 5.3%).

### Business Review

The Group's restaurants mainly target the middle range of the restaurant market and it is continuing to enhance its restaurant network strategically through expanding its market share and continuing to promote recognition of its Red Seasons Aroma Restaurant, Plentiful Delight Banquet and Red Royalty Banquet brands.

#### *Red Seasons Aroma Restaurant ("Red Seasons")*

Red Seasons targets customers desiring quality food at competitive prices and specialty Chinese cuisine. During the review period, Red Seasons achieved a satisfactory result with the revenue up by around 17.2% to approximately HK\$93,345,000. In March 2012, the Group's first restaurant on Hong Kong Island under the Red Seasons brand has been opened at The Zenith in Wanchai. With the extensive promotional activities and enhancement of the menu, the Group believed Red Seasons has continued to raise its brand awareness and reinforced the loyalty of its customers.

#### *Plentiful Delight Banquet ("Plentiful Delight")*

The second brand established by the Group, Plentiful Delight serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. It is equipped with banquet facilities and has a seating capacity of 100 banquet tables with 12 seats each and can manage large-scale events serve up to 1,200 guests on a single occasion. For the six months ended 30 June 2012, Plentiful Delight recorded a revenue of approximately HK\$33,812,000.

### ***Red Royalty Banquet (“Red Royalty”)***

The Red Royalty brand was unveiled in December 2011, targeting customers who look for premium Chinese wedding banquet and dining services in a grand setting. The restaurant generated revenue of approximately HK\$43,252,000 for the period under review. Red Royalty is expected to be another major income stream for the Group in the coming year.

During the review period, the Group has established a new wholly-owned subsidiary, Food Idea Group Limited, and have recruited more industry professionals in order to explore new business opportunities, including proactively opening more local restaurants, extending the dining business to Mainland China and evaluating prospects in other food-related business to further enhance the Group’s business network and presence in the industry.

Turning to the Group’s operations, the business environment has become increasingly challenging due to inflation in food, labour and rental costs in the review period. Nonetheless, the Group was able to maintain good cost controls and improve efficiencies by using a series of effective cost control measures.

The cost of inventories consumed for the six months ended 30 June 2012 amounted to approximately HK\$60,152,000 (2011: HK\$46,471,000). 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 revenue.

Employee benefits expenses were approximately HK\$53,311,000 (2011: HK\$37,035,000). The increase was mainly due to the two newly opened Red Royalty and Wanchai Red Seasons restaurants, and the wage adjustments to retain experienced staff under the inflationary environment during the review period. 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 2012 amounted to approximately HK\$17,035,000, representing an increase of approximately 53.0% as compared to the corresponding period last year, mainly due to the opening of Red Royalty and Wanchai Red Seasons restaurants. To better control the lease and related expenses, the Group has entered into long-term tenancy agreements to maintain the operating lease rentals at a reasonable level.

### **Prospects**

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

Spurred by the success of its multi-branding strategy, the Group is in the process of further diversifying its restaurant portfolio, establishing its fourth brand “Home Made Cuisine” (家常便飯), which is to be the eighth restaurant of the Group. The first restaurant under “Home Made Cuisine” is located in Wanchai and commences business in July 2012. The new brand targets mid-end spending classes and will be a great place for family and friends’ gatherings. “Home Made Cuisine” is to serve contemporary Cantonese cuisine under a comfortable and homey environment. The new restaurant specialises in home-made dishes and soups while cooking in an innovative, hearty and healthy way. No MSG or other artificial additives are used and the menu is the ideal choice for those seeking a healthy meal.

The different brands of the Group have their distinctive positioning and targeted customer segment. The management believes these brands constitute significant market differentiation and address the needs of a wide variety of customers, thereby enlarging its market share.

The Group continues to look for suitable sites with a high traffic flow and reasonable rentals to strengthen and broaden its restaurant network. The Group is also continuously developing specialty dishes as well as providing quality service to customers so as to enhance its market position and brands. At the same time, the Group intends to adhere to the objective of expanding and diversifying its business in both Hong Kong and Mainland China for the Group's sustainable growth and to deliver satisfactory returns to its shareholders.

### **Capital Structure and Gearing Ratio**

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

The Group monitors capital on the basis of the gearing ratio. This 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 2011 and 30 June 2012 as the Group's bank balances and cash is larger than the bank borrowing.

### **Liquidity and Financial Resources**

#### *Cash position*

As at 30 June 2012, the carrying amount of the Group's bank balances and cash was approximately HK\$33,325,000 (31 December 2011: approximately HK\$47,181,000), representing a decrease of approximately 29.4% as compared to that as at 31 December 2011.

The pledged bank deposit as at 31 December 2011 and 30 June 2012 was pledged to a bank for the issuance of a letter of guarantee in favour of the Group.

#### *Bank borrowing*

Details of bank borrowing as at 30 June 2012 are set out in Note 18 to the Interim Financial Statements.

### **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 15 and 21 to the Interim Financial Statements respectively.

### **Charges on Assets**

Details of the charges on the Group's assets as at 30 June 2012 were set out in Note 18 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 2012.

## Dividends

Details of the dividends are set out in the Note 14 to the Interim Financial Statements.

## Employees Numbers and Remuneration Policy

As at 30 June 2012, the Group had 713 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2012. Save for the business plan as disclosed in the Company's prospectus dated 30 June 2011 (the "Prospectus"), there is no plan for material investments or capital assets as at 30 June 2012.

## Comparison of Business Plan with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the six months ended 30 June 2012.

|                                    | Business plan up to 30 June 2012 as set out in the Prospectus  | Actual business progress for the six months ended 30 June 2012   |
|------------------------------------|--|--|
|                                    | Diversify service and product offerings with the implementation of a new branding strategy   |  |
| Open of Red Royalty Banquet        | Open of the Group's sixth restaurant in Yuen Long under Red Royalty Banquet, which will become the third brand established by the Group, targeting customers looking for premium and deluxe Chinese wedding banquet and dining services. | The Group has established Red Royalty Banquet in December 2011.  |
| Open of another one new restaurant | Open one more restaurant under the brand of Red Seasons Aroma Restaurant in early 2013, with an expected saleable area of approximately 1,000 square meters.   | The Group has identified an optimal location in Wan Chai and accelerated the network expansion plan. The Group's seventh restaurant under the brand of Red Seasons Aroma Restaurant was established in March 2012. |

|   |  |  |
|---|--|--|
| Opening of other food outlets   | Increase the source of income by horizontal expansion to reach a more diversified group of customers.  | The Group is in the process of identifying the new business.   |
| Upgrade existing restaurant facilities  |  |  |
| Upgrade existing restaurant facilities  | Enhance the Group's existing restaurant equipments, utensils and general supplies in existing restaurants with the aim to provide its customers with comfortable dining environment.   | The Group has purchased various restaurant equipments, utensils and general supplies in existing restaurants to provide its customers with comfortable dining environment. |
| Strengthen staff training   |  |  |
| Strengthen staff training   | Provide staff training to (i) improve customer service, (ii) enhance food knowledge, food safety and personal hygiene, (iii) maximise management efficiency, (iv) promote unique concept and style and (v) strengthen value-added service of the management and staff of the Group | The Group has appointed external professional party and recruited internal training manager to provide on-the-job training to its employees.                               |
| Enhance marketing activities to promote brand awareness   |  |  |
| Enhance marketing activities to promote brand awareness   | Strengthen the marketing efforts in promoting its brands in terms of brand-building, advertising and other means of promotion.   | The Group has arranged regular advertising campaigns to promote the Group's business and its brands.   |
| Formation of strategic partnerships or cooperation arrangements with reputable industry partners in Hong Kong and China |  |  |
| Formation of strategic partnerships with reputable partners in Hong Kong and China                                      | Operate with business partner to develop distribution channels and/or business presence in Hong Kong and China   | The Group is identifying suitable partners for future business development.  |

The net proceeds from the placing were approximately HK\$63.5 million, which was based on the final placing price of HK\$1.0 per share and the actual expenses related to the listing of shares of the Company on the GEM of the Stock Exchange since 8 July 2011 (the "Listing"). Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the placing from the date of Listing (i.e.8 July 2011) (the “Listing Date”) to 30 June 2012 had been applied as follows:

|  | <b>Adjusted use of<br/>proceeds in the<br/>same manner and<br/>proportion as<br/>shown in the<br/>Prospectus from<br/>the Listing Date<br/>to 30 June 2012</b> | <b>Actual use<br/>of proceeds<br/>from the<br/>Listing Date to<br/>30 June 2012</b> |
|--|--|---|
|  | <i>HK\$ million</i>  | <i>HK\$ million</i>   |
| – Diversify service and product offerings with the implementation of a new branding strategy ( <i>Note</i> )     | 29.2   | 39.0  |
| – Upgrade existing restaurant facilities   | 0.5  | 0.5   |
| – Strengthen staff training  | 1.2  | 0.2   |
| – Enhance marketing activities to promote brand awareness  | 2.1  | 1.0   |
| – Formation of strategic partnerships or cooperation arrangements with reputable partners in Hong Kong and China | 1.1  | –   |
| – Working capital  | 2.5  | 2.5   |
|  | <hr/>  | <hr/>   |
| <b>Total</b>   | <b>36.6</b>  | <b>43.2</b>   |
|  | <hr/> <hr/>  | <hr/> <hr/>   |

*Note:* Actual use of proceeds was higher as compared to the adjusted net proceeds which was mainly attributable to the renovation and equipments relating to the early opening of the Group’s seventh restaurant under the brand of Red Seasons Aroma Restaurant in Wan Chai.

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

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

## **SHARE OPTION SCHEME**

Details of the share option scheme are set out in the Note 20 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 2012, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to 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**

| <b>Name of Director</b>            | <b>Capacity/nature of interest</b> | <b>Total number of ordinary Shares</b> | <b>Approximate percentage of interest</b> |
|------------------------------------|------------------------------------|--|---|
| Mr. Wong Kwan Mo ( <i>Note 1</i> ) | Interest in controlled corporation | 2,243,200,000                          | 70.1%                                     |
| Ms. Lau Lan Ying ( <i>Note 2</i> ) | Interest in controlled corporation | 2,243,200,000                          | 70.1%                                     |

#### *Notes:*

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

Saved as disclosed above, as at 30 June 2012, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **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 2012, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following person has an interest or short position in the shares or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who 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**

| <b>Name of Shareholder</b>        | <b>Capacity/nature of interest</b> | <b>Total number of ordinary Shares</b> | <b>Approximate percentage of interest</b> |
|-----------------------------------|------------------------------------|--|---|
| KMW Investments Limited<br>(Note) | Beneficial owner                   | 2,243,200,000                          | 70.1%                                     |

*Note:*

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

Saved as disclosed above, as at 30 June 2012, the Directors were not aware of any other person (other than the Directors or chief executives as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or who 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 2012 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **COMPLIANCE ADVISER'S INTEREST IN THE COMPANY**

As at 30 June 2012, as notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 June 2011, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **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 six months ended 30 June 2012.

## **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 ("Model Code"). 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 as set out in the Model Code throughout the period under review. The Company was not aware of any non-compliance during the six months ended 30 June 2012.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Stock Exchange has issued the amendments on Corporate Governance Code in Appendix 15 to the GEM Listing Rules effective on 1 April 2012.

To fully comply with all the new code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, relevant amendments and adoptions has been adopted by the Company on 1 April 2012.

The Board considers that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2012.

## **AUDIT COMMITTEE**

The Company established an audit committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 30 June 2012, the audit committee of the Company consisted of three members, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Ho Chun Fai. Mr. Li Fu Yeung was the chairman of the audit committee.

The audit committee had reviewed the Interim Financial Statements for the six months ended 30 June 2012 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the Company discloses the changes in information of the Directors as follows:

On 23 March 2012, a nomination committee has been established comprising Mr. Li Fu Yeung, Mr. Yu Ka Ho (“Mr. Yu”) and Ms. Chiu Man Yee as members of the nomination committee and Mr. Li Fu Yeung as the chairman of the nomination committee.

On 1 April 2012, Ms. Lau Lan Ying, an existing executive Director, has resigned as chairman and member of the remuneration committee and Ms. Chiu Man Yee, an existing independent non-executive Director, has been appointed as the chairman and member of the remuneration committee on the same date.

Mr. Yu retired as independent non-executive Director, audit committee chairman and member, remuneration committee member and nomination committee member at the annual general meeting held on 11 May 2012. Mr. Li Fu Yeung, an existing independent non-executive Director, has been appointed as the chairman of the audit committee on the same date.

## NON-COMPLIANCE WITH RULES 5.05(1) AND 5.28

During the six months ended 30 June 2012, following the retirement of Mr. Yu as stated above, the Company has had only two independent non-executive Directors and two audit committee members, which fall below the minimum number of three independent non-executive Directors and three audit committee members as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules respectively. On 12 July 2012, Mr. Ho Chun Fai (“Mr. Ho”) has been appointed as an independent non-executive Director in order to fill the casual vacancy caused by the retirement of Mr. Yu and Mr. Ho has also been nominated as a member of the audit committee, remuneration committee and nomination committee of the Company. Upon the appointment of Mr. Ho, the number of independent non-executive Directors and the number of members of the audit committee of the Company meets the minimum requirement under rule 5.05(1) and rule 5.28 of the GEM Listing Rules. Details of the appointment of Mr. Ho are set out in the Company’s announcement dated 12 July 2012.

## 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 2012.

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

Hong Kong, 14 August 2012

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.gayety.com.hk>.*