



喜尚控股有限公司
GAYETY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8179)

**ANNOUNCEMENT OF THE FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

**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.

The board (the “Board”) of Directors of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2014, together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>NOTES</i>	2014 HK\$’000	2013 HK\$’000
Revenue	3	464,924	386,262
Other income	4	641	782
Cost of inventories consumed		(151,504)	(117,336)
Employee benefits expenses	5	(151,652)	(118,719)
Depreciation		(22,223)	(18,912)
Operating lease rentals and related expenses		(46,105)	(43,453)
Utilities expenses		(31,166)	(27,366)
Other losses	5	(5,978)	(768)
Gain on disposal of financial asset at fair value through profit or loss (“FVTPL”)		1,193	–
Gain on fair value change of financial asset at FVTPL		93,351	–
Other operating expenses		(50,056)	(31,355)
Share of loss of a joint venture		(1)	(4)
Finance costs	6	(626)	(264)
Profit before tax	5	100,798	28,867
Income tax expenses	7	(20,160)	(5,373)
Profit for the year		<u>80,638</u>	<u>23,494</u>

	<i>NOTE</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other comprehensive expenses for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of a foreign operation		<u>(6)</u>	<u>–</u>
Total comprehensive income for the year		<u>80,632</u>	<u>23,494</u>
Profit for the year attributable to:			
Owners of the Company		81,626	23,758
Non-controlling interests		<u>(988)</u>	<u>(264)</u>
		<u>80,638</u>	<u>23,494</u>
Total comprehensive income attributable to:			
Owners of the Company		81,620	23,758
Non-controlling interests		<u>(988)</u>	<u>(264)</u>
		<u>80,632</u>	<u>23,494</u>
Earnings per share			
Basic and diluted (<i>HK cents</i>)	9	<u>2.55</u>	<u>0.74</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>NOTES</i>	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		54,139	77,073
Goodwill		6,186	–
Interest in a joint venture		–	1
Rental deposits	<i>11</i>	11,271	10,876
Prepayment for acquisition of property, plant and equipment		959	157
Deferred tax assets		2,889	2,467
Pledged bank deposit	<i>12</i>	1,500	–
		76,944	90,574
Current assets			
Inventories	<i>10</i>	8,119	10,409
Trade receivables	<i>11</i>	8,461	1,582
Prepayments, deposits and other receivables	<i>11</i>	18,937	14,183
Income tax recoverable		941	750
Financial asset at FVTPL		99,712	–
Pledged bank deposits	<i>12</i>	3,505	1,500
Bank balances and cash	<i>12</i>	69,300	65,612
		208,975	94,036
Current liabilities			
Trade payables	<i>13</i>	13,823	10,973
Other payables, accruals and deposits received	<i>13</i>	33,437	37,392
Provision for reinstatement costs		559	–
Income tax payable		435	2,336
Secured bank borrowings	<i>14</i>	13,122	2,397
		61,376	53,098
Net current assets		147,599	40,938
Total assets less current liabilities		224,543	131,512
Non-current liabilities			
Provision for reinstatement costs		3,320	3,770
Deferred tax liabilities		15,445	369
		18,765	4,139
		205,778	127,373

	<i>NOTE</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Capital and Reserves			
Share capital	<i>15</i>	3,200	3,200
Reserves		<u>201,411</u>	<u>121,211</u>
Equity attributable to owners of the Company		204,611	124,411
Non-controlling interests		<u>1,167</u>	<u>2,962</u>
		<u>205,778</u>	<u>127,373</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(note i)</i>	Other reserve <i>HK\$'000</i> <i>(note ii)</i>	Foreign currency translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	3,200	65,421	106	–	–	41,478	110,205	2,857	113,062
Profit for the year and total comprehensive income for the year	–	–	–	–	–	23,758	23,758	(264)	23,494
Capital contribution from non-controlling interest	–	–	–	420	–	–	420	1,097	1,517
Acquisition of non-controlling interests	–	–	–	28	–	–	28	(728)	(700)
Dividend	–	–	–	–	–	(10,000)	(10,000)	–	(10,000)
At 31 December 2013	<u>3,200</u>	<u>65,421</u>	<u>106</u>	<u>448</u>	<u>–</u>	<u>55,236</u>	<u>124,411</u>	<u>2,962</u>	<u>127,373</u>
At 1 January 2014	3,200	65,421	106	448	–	55,236	124,411	2,962	127,373
Profit for the year	–	–	–	–	–	81,626	81,626	(988)	80,638
Other comprehensive expenses for the year									
Exchange differences arising on translation of a foreign operation	–	–	–	–	(6)	–	(6)	–	(6)
Total comprehensive (expense) income for the year	–	–	–	–	(6)	81,626	81,620	(988)	80,632
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	637	637
Acquisition of non-controlling interests	–	–	–	(1,420)	–	–	(1,420)	1,220	(200)
Acquisition of subsidiaries	–	–	–	–	–	–	–	(1,764)	(1,764)
Dividend to non-controlling interest	–	–	–	–	–	–	–	(900)	(900)
At 31 December 2014	<u>3,200</u>	<u>65,421</u>	<u>106</u>	<u>(972)</u>	<u>(6)</u>	<u>136,862</u>	<u>204,611</u>	<u>1,167</u>	<u>205,778</u>

Note 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.

Note ii: Other reserve represents transactions with non-controlling interests and capital contributions from non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

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

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

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

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

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

As the Company is not an investment entity, the Directors consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

For the year ended 31 December 2014, the recoverable amounts of the Group's impaired property, plant and equipment are determined based on their fair value less costs of disposal.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

As the Group does not have any derivatives that are subject to novation, the Directors consider that the application of the amendments to HKAS 39 has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 *Levies* for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Directors consider that the application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and Revised Hong Kong Financial Reporting Standard

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²
HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendment to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²

¹ *Effective for annual periods beginning on or after 1 July 2014*

² *Effective for annual periods beginning on or after 1 January 2016*

³ *Effective for annual periods beginning on or after 1 January 2017*

⁴ *Effective for annual periods beginning on or after 1 January 2018*

New and revised HKFRSs issued but not yet effective

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. 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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

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

- (i) Chinese restaurants operation – The operation of a chain of Chinese restaurants in Hong Kong.
- (ii) 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.
- (iii) Others – Investment in equity securities.

The Group's food products operation segment was introduced in the current year as a result of the acquisition of two subsidiaries.

Segment turnover and results

Segment turnover represents revenue derived from the provision of catering services, sales of food products and gross proceeds from the disposal of investments.

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

For the year ended 31 December

	Chinese restaurants operation		Food products operation		Others		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SEGMENT TURNOVER	<u>405,215</u>	<u>386,262</u>	<u>59,709</u>	<u>–</u>	<u>1,380</u>	<u>–</u>	<u>466,304</u>	<u>386,262</u>
Revenue from external customers	<u>405,215</u>	<u>386,262</u>	<u>59,709</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>464,924</u>	<u>386,262</u>
Segment result	<u>10,714</u>	<u>33,540</u>	<u>317</u>	<u>–</u>	<u>94,544</u>	<u>–</u>	<u>105,575</u>	<u>33,540</u>
Unallocated income							166	572
Unallocated corporate expenses							(4,316)	(4,977)
Share of loss of a joint venture							(1)	(4)
Finance costs							(626)	(264)
Profit before tax							<u>100,798</u>	<u>28,867</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income, central administrative costs, Directors' emoluments, share of loss of a joint venture, other losses and finance costs. This is the measure reported to chief operating decision maker for purposes of resource allocation and performance assessments.

Segment assets and liabilities

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

Segment assets

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese restaurants operation	89,703	114,280
Food products operation	18,369	–
Others	99,712	–
	<hr/>	<hr/>
Total segment assets	207,784	114,280
Unallocated	78,135	70,330
	<hr/>	<hr/>
Consolidated assets	285,919	184,610
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chinese restaurants operation	42,214	52,135
Food products operation	8,925	–
Others	–	–
	<hr/>	<hr/>
Total segment liabilities	51,139	52,135
Unallocated	29,002	5,102
	<hr/>	<hr/>
Consolidated liabilities	80,141	57,237
	<hr/> <hr/>	<hr/> <hr/>

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, deferred tax assets, income tax recoverable, pledged bank deposits and bank balances and cash; and
- all liabilities are allocated to operating segments other than income tax payable, secured bank borrowings and deferred tax liabilities.

Geographical information

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

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the years ended 31 December 2014 and 2013.

Other segment information

For the year ended 31 December 2014

	Chinese restaurants operation <i>HK\$'000</i>	Food products operation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amount included in the measure of segment profit or segment assets:					
Additions to non-current assets (<i>note</i>)	2,400	3,923	–	8	6,331
Depreciation	21,480	735	–	8	22,223
Loss on disposals/written-off of property, plant and equipment	1,705	267	–	–	1,972
Loss on disposal of a subsidiary	237	–	–	–	237
Impairment loss on property, plant and equipment	3,769	–	–	–	3,769
Gain on fair value change of financial asset at FVTPL	–	–	93,351	–	93,351
Gain on disposal of financial asset at FVTPL	–	–	1,193	–	1,193

Amounts regularly provided to
the chief operating decision maker
but not included in the measure of
segment profit or loss or
segment assets:

Interest income	(4)	(2)	–	(160)	(166)
Finance costs	271	355	–	–	626
Income tax expenses	4,433	72	15,600	55	20,160

For the year ended 31 December 2013

	Chinese restaurants operation <i>HK\$'000</i>	Food products operation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amount included in the measure of segment profit or segment assets:					
Additions to non-current assets (<i>note</i>)	36,445	–	–	370	36,815
Depreciation	18,856	–	–	56	18,912
Loss on disposals/written-off of property, plant and equipment	<u>768</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>768</u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	(6)	–	–	(566)	(572)
Finance costs	264	–	–	–	264
Income tax expenses	<u>5,373</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,373</u>

Note: Non-current assets excluded interest in a joint venture, financial instruments and deferred tax assets and included approximately HK\$907,000 from acquisition of subsidiaries during the year.

Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major products and provision of services to external customers:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Chinese restaurants catering services	405,215	386,262
Sale of food products	<u>59,709</u>	<u>–</u>
	<u>464,924</u>	<u>386,262</u>

4. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Sub-letting income	38	38
Loan interest income from a substantial shareholder	–	566
Bank interest income	166	6
Sundry income	437	172
	<u>641</u>	<u>782</u>

5. PROFIT BEFORE TAX

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Other losses:		
Impairment loss of property, plant and equipment	3,769	–
Loss on disposals/written-off of property, plant and equipment	1,972	768
Loss on disposal of a subsidiary	237	–
	<u>5,978</u>	<u>768</u>
Employee benefits expenses (including Directors' emoluments)		
Salaries, wages and allowances	145,204	113,536
Contributions to retirement benefits scheme		
– defined contribution plan	6,448	5,183
	<u>151,652</u>	<u>118,719</u>
Auditor's remuneration	980	960
Kitchen consumables (included in other operating expenses)	3,043	3,028
Cleaning expenses (included in other operating expenses)	4,422	4,071
Operating lease rentals in respect of rented premises	37,637	35,869

6. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Finance costs on secured bank borrowings:		
Wholly repayable within five years	356	–
Not wholly repayable within five years	74	88
Unwinding of discount on provision for reinstatement costs	196	176
	<u>626</u>	<u>264</u>

7. INCOME TAX EXPENSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current income tax – Hong Kong:		
Current year provision	6,344	6,764
Overprovision in prior years	(785)	(106)
Deferred income tax	14,601	(1,285)
	<u>20,160</u>	<u>5,373</u>

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

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for both years since the subsidiaries in the PRC did not derive any assessable profits for both years.

8. DIVIDEND

During the year ended 31 December 2013, an interim dividend of HK\$0.3125 (2014: Nil) per share totaling HK\$10,000,000 were declared and paid. No dividend has been paid or proposed during the year ended 31 December 2014 or since the end of the reporting period.

9. EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to the owners of the Company	<u><u>81,626</u></u>	<u><u>23,758</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>3,200,000,000</u></u>	<u><u>3,200,000,000</u></u>

Diluted earnings per share for the years ended 31 December 2014 and 2013 is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during both years.

10. INVENTORIES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Food and beverages	7,724	9,788
Consumables	<u>395</u>	<u>621</u>
	<u><u>8,119</u></u>	<u><u>10,409</u></u>

11. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current		
Rental deposits	<u><u>11,271</u></u>	<u><u>10,876</u></u>
Current		
Trade receivables	8,461	1,582
Prepayments, deposits and other receivables (<i>Note</i>)	<u>18,937</u>	<u>14,183</u>
	<u><u>27,398</u></u>	<u><u>15,765</u></u>

Note: Included in the balance as at 31 December 2014 was approximately HK\$2,567,000 (2013: Nil) due from a non-controlling interest. The amount was interest-free, unsecured and repayable on demand. Subsequent to the end of reporting period, the amount was fully settled.

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:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days and neither past due nor impaired	8,398	969
1 – 30 days	28	232
31 – 60 days	35	381
	<u>8,461</u>	<u>1,582</u>

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

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

Included in trade receivables balance as at 31 December 2014 were receivables of HK\$63,000 (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 2014 and 2013.

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	28	232
31 – 60 days	35	381
	<u>63</u>	<u>613</u>

12. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

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

Pledged bank deposit as at 31 December 2014 of HK\$1,500,000 (2013: HK\$1,500,000) was pledged to a bank for the issuance of a letter of guarantee in favour of the Group (Note 14) that will be expiring after (2013: within) twelve months from the end of the reporting period and is classified as non-current asset (2013: current asset). Pledged deposits of HK\$3,505,000 (2013: Nil) as at 31 December 2014 were pledged to banks for short-term banking facilities, accordingly, the pledged bank deposits are classified as current asset.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	<u>13,823</u>	<u>10,973</u>
Payables for acquisition of property, plant and equipment	2,698	10,567
Other payables	3,708	3,650
Accruals	19,521	16,885
Deposits received	<u>7,510</u>	<u>6,290</u>
	<u>33,437</u>	<u>37,392</u>
	<u><u>47,260</u></u>	<u><u>48,365</u></u>

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	10,228	7,727
31 – 60 days	3,555	2,963
61 – 90 days	4	159
Over 90 days	<u>36</u>	<u>124</u>
	<u><u>13,823</u></u>	<u><u>10,973</u></u>

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

Included in trade payables as at 31 December 2014 was amounts due to companies controlled by Directors of the Company of approximately HK\$1,593,000 (2013: HK\$1,698,000) which are interest-free, unsecured and repayable within 30 days after the end of the month in which the relevant purchases are made.

14. SECURED BANK BORROWINGS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loan, repayable on demand	2,132	2,397
Instalment loans, repayable on demand	3,327	–
Bank loans	2,418	–
Bank overdrafts	5,245	–
	<u>13,122</u>	<u>2,397</u>

The facility agreements of mortgage loan and instalment loans contain repayment on demand clauses 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 following table presents the scheduled repayments set out in the loan agreements:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,341	265
After one year but within two years	1,709	274
After two years but within five years	1,413	883
More than 5 years	659	975
	<u>13,122</u>	<u>2,397</u>

As at 31 December 2014, the Group had aggregate banking facilities of approximately HK\$14,798,000 (2013: HK\$3,947,000) for loans and other facilities (including letter of guarantee). Unused facilities as at the same date amounted to approximately HK\$980,000 (2013: HK\$107,000). These facilities were secured by:

- (a) The Group's pledged bank deposits amounting to approximately HK\$5,005,000 (2013: HK\$1,500,000) as at 31 December 2014;
- (b) Leasehold land and building with a carrying amount of approximately HK\$5,717,000 (2013: HK\$5,870,000) as at 31 December 2014;
- (c) Guarantee from Hong Kong Mortgage Corporation Limited and the government of Hong Kong Special Administrative Region; and
- (d) Unlimited guarantees from non-controlling shareholder and Director of a subsidiary.

In additions, certain business credit cards were guaranteed by Mr. Wong Kwan Mo and Ms. Lau Lan Ying, the Directors and a non-controlling interest, to the extent of HK\$138,000 (2013: HK\$50,000) in aggregate.

15. SHARE CAPITAL

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group follows a business philosophy of offering high quality cuisine at highly affordable prices. It is committed to providing memorable dining experiences to its customers by delivering deliciously prepared food, outstanding menu choices and a tastefully designed dining environment. As at 31 December 2014, we are operating nine restaurants under three brands and their performances are outlined below.

Red Seasons Aroma Restaurants (“Red Seasons”)

Red Seasons targets customers desiring quality food and special Chinese cuisine at competitive prices. Many customers have found the allure of Red Seasons irresistible, thanks in large measure to the signature dish, roast suckling pig stuffed with glutinous rice and dried prawns (“Roast Suckling Pig”). During the year under review, the turnover from the Red Seasons restaurants increased by around 14% to approximately HK\$236,898,000 as compared to the previous year. This is mainly attributable to Sai Wan Red Seasons, which operated a full year in 2014 instead of three months in 2013. Excluding the effect of Sai Wan Red Seasons, the turnover increased by 5% approximately.

Plentiful Delight Banquet Restaurant (“Plentiful Delight Banquet”)

The second brand established by the Group, Plentiful Delight Banquet, serves Cantonese dim sum and fresh seafood delicacies that are not commonly found in other restaurants. Offering banquet facilities with a seating capacity of 100 banquet tables, Plentiful Delight Banquet is ideal for large-scale events up to 1,200 guests on a single occasion. During the year under review, Plentiful Delight Banquet recorded revenue of approximately HK\$89,856,000, which was similar to last year (2013: HK\$89,147,000).

Red Royalty Banquet Restaurant (“Red Royalty”)

Red Royalty provides premium and deluxe Chinese banquet and dining services in a formal, grand environment decorated with contemporary, stylish and elegant items. Red Royalty’s scale of operations is the largest within the Group’s existing restaurants with a seating capacity of 120 banquet tables and can serve up to 1,400 guests on a single occasion. During the year ended 31 December 2014, Red Royalty generated revenue of approximately HK\$66,691,000. Turnover from banquet and dining services generated by Plentiful Delight Banquet and Red Royalty decreased slightly by approximately 5% as compared to last year.

Home-made Cuisine (“Home-made Cuisine”)

During the year ended 31 December 2014, Home-made Cuisine generated turnover of approximately HK\$11,770,000.

Encouraged by the huge success of the Roast Suckling Pig and the irresistible Siu Mei dishes, Red Seasons becomes the flagship brand. The management decided to focus on developing the Red Seasons brand. Accordingly, the Olympian City store was revamped into Red Seasons and a one-time written down of property, plant and equipment of approximately HK\$1,705,000 was recognised. During the year, the Group also ceased the ownership of Wan Chai Home-made Cuisine.

The Group will consider opening new Home-made Cuisine restaurant in suitable locations with continuous and steady flow of potential customers and good business potential.

Food products operation

The food products operation represents the production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei, to over 70 concessionaire stores in major supermarket chains in Hong Kong. These food products are mainly prepared in its food processing factory located at Tsuen Wan.

During the year ended 31 December 2014, the food products operation generated turnover of approximately HK\$59,709,000.

Others

During the year, the Group recorded a realized gain of approximately HK\$1,193,000 and an unrealized gain of approximately HK\$93,351,000 in its investment in the shares of a listed company during the year. The listed securities held by the Group as at 31 December 2014 were valued at approximately HK\$99,712,000.

Financial Review

During the year ended 31 December 2014, the Group’s revenue amounted to approximately HK\$464,924,000, representing an increase of approximately 20% as compared to the last year. This was mainly attributable to the growth in comparable restaurant sales in certain shops, the contribution from the Sai Wan Red Seasons and the newly acquired food products operation.

Profit attributable to the owners of the Company rose to HK\$81,626,000, a significant increase of 244% as compared to last year. Such increases were mainly attributable to the realized and unrealized gain from financial asset at fair value through profit or loss, amounting to HK\$94,544,000.

After eliminating the effect of abovementioned gain from financial asset at fair value through profit or loss, the profit attributable to owners of the Company decreased by HK\$21,076,000 to approximately HK\$2,682,000. Such decreases were mainly from (i) the deteriorated restaurant operation results due to the increase in food, rental and staff costs; (ii) the negative effect of the Occupy Central movement, especially to the Group's Hong Kong Island Red Seasons; (iii) impairment loss on property, plant and equipment from the loss making Hong Kong Island Red Seasons; and (iv) one-time written-down arising from renovation of the Olympian City restaurant.

The cost of inventories consumed for the year ended 31 December 2014 amounted to approximately HK\$151,504,000 (2013: HK\$117,336,000). The cost of inventories consumed was approximately 33% of the Group's revenue during the year (2013: 30%). The Group will increase bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing.

Employee benefits expenses were approximately HK\$151,652,000 (2013: HK\$118,719,000). The increase was mainly due to the full year operating Sai Wan Red Seasons, the newly acquired food products operation and the wage adjustments to retain experienced staff under the inflationary environment during the year under review. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

The operating lease rental and related expenses for the year ended 31 December 2014 amounted to approximately HK\$46,105,000, representing an increase of around 6% as compared to last year. The increase was mainly due to the full year operating Sai Wan Red Seasons and the newly acquired food products operation. To better manage the lease and related expenses, the Group has entered into long-term lease agreements to maintain the rentals at a reasonable level.

Outlook and prospects

Looking ahead, the management takes a cautious view for 2015. Given the uncertainties in the global economy, the weakening consumer sentiment and deteriorating political polarization in Hong Kong, the management anticipates the retail environment will be very challenging.

The management is committed to bolster the customer base. As traditional Chinese restaurants require intensive initial capital expenditure and relatively large space for operation, the management adjusts its restaurant expansion strategy. The Group will focus on the establishment of smaller Chinese restaurants. The Group continues to search for suitable sites with high traffic flow and reasonable rentals for expansion. Meanwhile, the Group is also continuously developing appetising specialty dishes as well as providing better quality services to customers so as to solidify the Group's market position.

The Group is proactively monitoring the rising food costs, labour costs and rental expenses in order to raise the operational efficiencies.

The management will diversify the Company's existing business portfolio and broaden its source of income, especially in the PRC.

The management intends to enter the Chinese dessert market with a Hong Kong renowned dessert brand “發記甜品”. The management believes that the business acquisition will enhance and enrich the Group's business scope and product line, and thus bring an additional stream of income to the Group. It will also help the Group to explore the opportunities for further development of the Group's catering business in the PRC, which will ultimately enhance the awareness and reputation of the Group's brand in the PRC.

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2014, the share capital and equity attributable to owners of the Company amounted to approximately HK\$3,200,000 and HK\$204,611,000 respectively (2013: HK\$3,200,000 and HK\$124,411,000 respectively).

Cash position

As at 31 December 2014, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$69,300,000 (2013: approximately HK\$65,612,000), representing an increase of approximately 6% as compared to that as at 31 December 2013.

The pledged bank deposits of approximately HK\$1,500,000 as at 31 December 2013 and HK\$5,005,000 as at 31 December 2014 were pledged to banks for the banking facilities of the Group.

Bank borrowings and charges on the Group's assets

Details of bank borrowings and charges on the Group's assets as at 31 December 2014 are set out in Note 14.

Gearing ratio

The gearing ratio is calculated as net debt (secured bank borrowings less pledged bank deposits and bank balances and cash) divided by the total of net debt and total equity. Gearing ratios are not applicable to the Group as at 31 December 2013 and 2014 as the Group's bank balances and cash are more than its secured bank borrowings.

Segmental Information

Details of segment information of the Group for the year ended 31 December 2014 are set out in Note 3.

Dividend

During the year ended 31 December 2013, an interim dividend of HK\$0.3125 (2014: Nil) per share totaling HK\$10,000,000 were declared and paid. No dividend has been paid or proposed during the year ended 31 December 2014 or since the end of the reporting period.

Purchase, Sale or Redemption of the Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the year ended 31 December 2014.

Events after the Reporting Period

- (i) On 9 March 2015, the Company entered into a placing agreement with Orient Securities Limited, pursuant to which the Company has conditionally agreed to place, through Orient Securities Limited on a best effort basis, up to 160,000,000 shares to no less than six independent third parties at a price of HK\$0.125 per share. Such placing has been completed as of the date of this announcement. Further details were set out in the Company's announcements dated 9 March 2015 and 26 March 2015.
- (ii) On 19 December 2014, Food Idea Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Wong Tai Chun ("Mr. Wong") in respect of the acquisition of the entire equity interests in Brilliant Forever Limited, a company incorporated in the BVI with limited liability, at a maximum consideration of HK\$100,000,000. Mr. Wong is the son of Mr. Wong Kwan Mo and Ms. Lau Lan Ying, who are the Directors and controlling shareholders of the Company.

Further details of the proposed acquisition, which constituted a connected transaction of the Company, were set out in the Company's announcements dated 25 June 2014, 29 September 2014, 19 December 2014 and 31 December 2014 and the Company's circular dated 27 March 2015.

The acquisition had not been completed as at the date of this announcement.

- (iii) Subsequent to the end of the reporting period, there was a significant decline in the fair value of the equity securities.

Corporate Governance

The Board has adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the "CG Code") under Appendix 15 of the GEM Listing Rules. For the year ended 31 December 2014, the Company has complied with all applicable provisions of the CG Code. Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of the Annual Report.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 31 December 2014, the audit committee of the Company consists of three members, namely Mr. Li Fu Yeung, Ms. Chiu Man Yee and Mr. Kwan Wai Yin, William. Mr. Li Fu Yeung is the chairman of the audit committee.

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

The Group's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2014 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Auditors

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

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

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

Hong Kong, 30 March 2015

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. Kwan Wai Yin, William 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>.