名軒 NOBLE HOUSE SHANGHAI FOOD

Noble House (China) Holdings Limited
名軒(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

08246.HK

Interim Report 2013

Noblehouse Restaurant
SHANGHAI

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Corporate Information

Board of Directors

Executive Directors

Mr. Chan Tai Neng *(Chairman)*
Mr. Chan Meng Hou
Mr. Cheung Chi Keung

Independent Non-Executive Directors

Mr. Chan Chun Sing
Mr. Tse Wai Chuen, Tony
Mr. Wang Zhi Zhong

Compliance Officer

Mr. Cheung Chi Keung

Authorised Representatives

Mr. Chan Tai Neng
Mr. Cheung Chi Keung

Company Secretary

Mr. Tsui Wing Tak

Audit Committee Members

Mr. Chan Chun Sing *(Chairman)*
Mr. Tse Wai Chuen, Tony
Mr. Wang Zhi Zhong

Remuneration Committee Members

Mr. Chan Chun Sing *(Chairman)*
Mr. Chan Tai Neng
Mr. Wang Zhi Zhong

Auditor

Deloitte Touche Tohmatsu

Legal Adviser to the Company

As to Cayman Islands law:
Conyers Dill & Pearman

Compliance Adviser

Quam Capital Limited

Principal Banker

Industrial and Commercial Bank of China

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

31 Floor,
148 Electric Road,
North Point
Hong Kong

Head Office in the PRC

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Lane 635, Zhennan Road,
Putuo District
Shanghai 200331,
PRC

Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited
31 Floor,
148 Electric Road,
North Point
Hong Kong

Company Website

http://www.noblehouserestaurant.cn

GEM Stock Code

8246

Financial Highlights

- The Group's revenue amounted to approximately RMB49.7 million for the six months ended 30 June 2013 which represented a decrease of approximately RMB11 million or 18.3% as compared with the six months ended 30 June 2012.

- The loss and total comprehensive expense attributable to owners of the Company was approximately RMB13.9 million for the six months ended 30 June 2013, while the profit and total comprehensive income to owners of the Company was approximately RMB2.5 million for the six months ended 30 June 2012.

- Basic loss per share for the six months ended 30 June 2013 amounted to RMB5 cents (Basic earnings per share for the six months ended 30 June 2012: RMB0.9 cents).

	Six months ended 30 June		**Increase/**
	2013	2012	**(Decrease)**
	RMB	RMB	
	(in million)	(in million)	
Revenue	**49.7**	60.8	**(18.3%)**
Operating Profit[1]	**30.1**	38.2	**(21.2%)**
(Loss)/profit and total comprehensive (expense) income attributable to the owners of the Company	**(13.9)**	2.5	**(656%)**
Operating margin[2]	**60.6%**	62.8%	

Notes:

(1) The calculation of operating profit is based on the revenue minus cost of inventories consumed.

(2) The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue and multiplied by 100%.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF NOBLE HOUSE (CHINA) HOLDINGS LIMITED
名軒(中國)控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Noble House (China) Holdings Limited (the "Company") and its subsidiaries set out on pages 5 to 15, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income and the relevant explanatory notes for each of the six-month periods ended 30 June 2013 and 2012 included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	NOTES	Three months ended 30.6.2013 RMB'000 (unaudited)	Three months ended 30.6.2012 RMB'000 (unaudited)	Six months ended 30.6.2013 RMB'000 (unaudited)	Six months ended 30.6.2012 RMB'000 (unaudited)
Revenue	3	**21,373**	28,203	**49,721**	60,786
Other income	4	**208**	61	**432**	133
Other gains and losses		**–**	1	**–**	1
Cost of inventories consumed		**(8,229)**	(9,742)	**(19,655)**	(22,561)
Staff cost		**(8,165)**	(6,854)	**(17,139)**	(13,221)
Depreciation of property, plant and equipment		**(468)**	(383)	**(1,023)**	(823)
Utilities and consumables		**(1,606)**	(1,240)	**(2,614)**	(2,172)
Rental and related expenses		**(5,161)**	(4,310)	**(10,984)**	(8,572)
Advertising and marketing expenses		**(19)**	(331)	**(934)**	(650)
Other expenses		**(3,305)**	(4,672)	**(6,494)**	(8,453)
Impairment loss recognised in respect of interest in an associate		**(276)**	–	**(276)**	–
Impairment loss recognised in respect of amount due from an associate		**(3,919)**	–	**(3,919)**	–
Write off of property, plant and equipment		**(340)**	–	**(340)**	–
Share of loss of associates		**(757)**	(210)	**(940)**	(745)
(Loss) profit before tax		**(10,664)**	523	**(14,165)**	3,723
Income tax expense	5	**(36)**	(100)	**(93)**	(1,257)
(Loss) profit and total comprehensive (expense) income for the period		**(10,700)**	423	**(14,258)**	2,466
(Loss) profit and total comprehensive (expense) income attributable to the owners of the Company		**(10,288)**	518	**(13,878)**	2,463
Non controlling interests – (Loss) profit and total comprehensive (expense) income for the period		**(412)**	(95)	**(380)**	3
		(10,700)	423	**(14,258)**	2,466
(Loss) earnings per share (RMB), basic	6	**(0.037)**	0.002	**(0.050)**	0.009

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	**13,147**	12,078
Goodwill		**1,429**	1,429
Rental deposits		**2,165**	3,045
Interests in associates	9	**665**	1,625
Amounts due from associates	10	**6,137**	7,673
Deposit for acquisition of property, plant and equipment		**–**	2,500
		23,543	28,350
Current assets			
Inventories		**11,616**	14,989
Trade and other receivables	11	**13,255**	12,031
Short-term bank deposit		**10,000**	10,000
Bank balances and cash		**10,878**	22,901
		45,749	59,921
Current liabilities			
Trade and other payables	12	**7,339**	9,846
Prepayment from customers		**22,205**	24,165
Tax liabilities		**4,373**	4,627
		33,917	38,638
NET CURRENT ASSETS		**11,832**	21,283
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,375**	49,633
Capital and reserves			
Share capital	13	**2,291**	2,291
Reserves		**32,873**	46,751
Equity attributable to owners of the Company		**35,164**	49,042
Non-controlling interests		**211**	591
		35,375	49,633

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company						
	Share Capital RMB'000	**Share premium** RMB'000	**Accumulated profits** RMB'000	**Special reserve** RMB'000	**Total** RMB'000	**Non–controlling interests** RMB'000	**Total** RMB'000
At 1 January 2012 (audited)	2,291	31,076	10,366	528	44,261	1,013	45,274
Profit and total comprehensive income recognised for the period	–	–	2,463	–	2,463	3	2,466
At 30 June 2012 (unaudited)	2,291	31,076	12,829	528	46,724	1,016	47,740
At 1 January 2013 (audited)	2,291	31,076	15,147	528	49,042	591	49,633
Loss and total comprehensive expense recognised for the period	–	–	(13,878)	–	(13,878)	(380)	(14,258)
At 30 June 2013 (unaudited)	2,291	31,076	1,269	528	35,164	211	35,375

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash used in operations	**(9,537)**	(11,543)
Income tax paid	**(347)**	(3,085)
Net cash used in operating activities	**(9,884)**	(14,628)
INVESTING ACTIVITIES		
Refund of deposit for acquisition of property, plant and equipment	**2,500**	2,000
Advance to associates	**(2,390)**	(1,792)
Purchase of property, plant and equipment	**(2,432)**	(1,674)
Proceeds from release of restricted bank balance	**–**	16,364
Repayment of advance from an independent third party	**–**	1,900
Repayment from an associate	**–**	495
Other investing activities items	**183**	16
Net cash (used in) from investing activities	**(2,139)**	17,309
CASH USED IN FINANCING ACTIVITY		
Payment of transaction costs directly attributable to the issuance of shares	**–**	(4,371)
Decrease in cash and cash equivalents	**(12,023)**	(1,690)
Cash and cash equivalents at beginning of the period	**22,901**	34,319
Cash and cash equivalents at end of the period, represented by bank balances and cash	**10,878**	32,629

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34), *Interim Financial Reporting* as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. The amendments have been applied retrospectively.

New standard on consolidation

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-Int 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. The Group has assessed the impact of the new application of control on its investees and concludes that the application of IFRS 10 in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The application of other new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

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

Segment information is presented below.

Six months ended 30 June 2013

	Shanghai RMB'000	Beijing RMB'000	Qingdao RMB'000	Hong Kong RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE							
External sales	40,745	6,542	2,352	82	49,721	–	49,721
Inter-segment management service fee and sales of processed food	4,320	–	–	–	4,320	(4,320)	–
Total	45,065	6,542	2,352	82	54,041	(4,320)	49,721
RESULT							
Segment result	(3,136)	(1,151)	(292)	(1,358)	(5,937)		(5,937)
Unallocated corporate expenses							(3,093)
Impairment loss recognised in respect of interest in an associate							(276)
Impairment loss recognised in respect of amount due from an associate							(3,919)
Share of losses of associates							(940)
Loss before tax							(14,165)

3. Segment Information *(Continued)*

Six months ended 30 June 2012

	Shanghai RMB'000	Beijing RMB'000	Qingdao RMB'000	Hong Kong RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE							
External sales	45,348	11,578	3,860	–	60,786	–	60,786
Inter-segment management service fee and sales of processed food	4,627	–	–	–	4,627	(4,627)	–
Total	49,975	11,578	3,860	–	65,413	(4,627)	60,786
RESULT							
Segment result	4,832	1,730	417	–	6,979		6,979
Unallocated corporate expenses							(2,511)
Share of losses of associates							(745)
Profit before tax							3,723

4. Other Income

	Three months ended		Six months ended	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)	**30.6.2013 RMB'000 (unaudited)**	30.6.2012 RMB'000 (unaudited)
Interest income	**94**	2	**183**	16
Imputed interest income on advances granted to associates	**114**	59	**249**	117
	208	61	**432**	133

5. Income Tax Expense

	Three months ended		Six months ended	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)	**30.6.2013 RMB'000 (unaudited)**	30.6.2012 RMB'000 (unaudited)
Enterprise income tax in the PRC				
Current tax	**36**	100	**93**	1,771
Overprovision in prior year	**–**	–	**–**	(514)
	36	100	**93**	1,257

5. Income Tax Expense *(Continued)*

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current interim period. No Hong Kong Profits Tax is provided as there was no assessable income for the current interim period.

No provision for taxation has been made in the condensed consolidated statement of profit or loss and other comprehensive income for prior periods as the Group's income neither arises in nor derived form Hong Kong.

PRC

PRC subsidiaries located in Beijing, Shanghai and Qingdao were subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the six months ended 30 June 2013 and 2012.

6. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended		**Six months ended**	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)	**30.6.2013 RMB'000 (unaudited)**	30.6.2012 RMB'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(10,288)**	518	**(13,878)**	2,463
Number of ordinary shares for the purpose of basic earnings per share	**280,000,000**	280,000,000	**280,000,000**	280,000,000

No diluted (loss) earnings per share has been presented for both periods as the Company has no potential ordinary shares outstanding during both periods.

7. Dividends

No dividends were paid, declared or proposed during the six months ended 30 June 2013 and 30 June 2012. The directors had determined that no dividend will be paid in respect of the six months ended 30 June 2013 and 30 June 2012.

8. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment amounting to approximately RMB2,432,000 (six months ended 30 June 2012: approximately RMB1,674,000) for the purpose of expanding the Group's business. The Group wrote off property, plant and equipment amounting to approximately RMB340,000 (six months ended 30 June 2012: Nil) due to replacement of leasehold improvement in a restaurant.

9. Interests in Associates

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Cost of unlisted investment in associates	**600**	600
Deemed capital contribution (note)	**2,236**	1,980
Share of post-acquisition results	**(1,895)**	(955)
Less: Impairment loss recognised	**(276)**	–
	665	1,625

Note: Deemed capital contribution represents the imputed interest on interest-free loans to the associates.

During the period ended 30 June 2013, the investment in Dong Hai Noble House Food and Beverage Co., Ltd ("Dong Hai Noble House") was fully impaired due to the continued poor performance of the underlying restaurant.

10. Amounts Due From Associates

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Dong Hai Noble House – (note (a))	**6,228**	5,829
Bin Jiang Noble House Food and Beverage Co., Ltd ("Bin Jiang Noble House") – (note (b))	**3,828**	1,844
Less: Impairment loss recognised (note (c))	**(3,919)**	–
	6,137	7,673

Notes:

(a) As at 30 June 2013 and 31 December 2012, the amount represents advances to finance the operations of Dong Hai Noble House and is unsecured, interest free and has no fixed repayment terms. Imputed interest is computed at 5.89% (2012: 5.89%) per annum. The management of the Group considered the amount will not be settled within the next twelve months, and thus classified it as non-current asset.

(b) As at 30 June 2013 and 31 December 2012, the amount mainly represents advances to finance preliminary stage of business activities of Bin Jiang Noble House and is unsecured, interest-free and has no fixed repayment terms. Imputed interest is computed at 6.4% (2012: 6.4%) per annum. The management of the Group considers the amount will not be settled within the next twelve months, and thus classified it as non-current asset.

(c) During the current interim period, as the results of Dong Hai Noble House did not meet management's forecasts, the directors of the Company reassessed the timing and estimates of the cash flows from the repayment of the advance to the associate and discounted them at the original effective interest rate of the advance. An impairment loss of RMB3,919,000 was recognised in profit or loss (six months ended 30 June 2012: Nil).

11. Trade and Other Receivables

Generally, there was no credit period for sales from operation of restaurants, except for certain well established, corporate customers for which the credit terms are up to 90 days. The aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period which approximated the respective revenue recognition dates are as follows:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade receivables:		
0 – 30 days	**1,915**	1,841
31 – 60 days	**969**	820
61 – 90 days	**723**	847
91 – 120 days	**526**	420
121 – 150 days	**–**	1
151 – 180 days	**258**	–
Over 180 days	**2,452**	1,860
	6,843	5,789
Other receivables and deposits:		
Prepayments to suppliers	**4,394**	4,049
Payment on behalf of restaurants managed or serviced by the group	**300**	300
Rental deposits	**1,110**	670
Others	**746**	1,369
Less: allowance for doubtful debts for other receivables	**(138)**	(146)
	6,412	6,242
	13,255	12,031

12. Trade and Other Payables

The credit periods for trade payables range from 30 to 60 days.

Ageing analysis of the Group's trade payables based on invoice date is as follows:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade payables:		
0 – 30 days	**2,115**	2,688
31 – 60 days	**652**	440
61 – 90 days	**494**	911
91 – 180 days	**617**	334
Over 180 days	**303**	360
	4,181	4,733
Other payables:		
Accruals	**1,160**	1,998
Other payables	**1,998**	3,115
	3,158	5,113
	7,339	9,846

13. Share Capital

	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
Authorised		
8,000,000,000 ordinary shares of HK$0.01 each	**80,000**	80,000
Issued and fully paid		
280,000,000 ordinary shares of HK$0.01 each	**2,800**	2,800
Shown on the condensed consolidated statement of financial position	**RMB2,291,000**	RMB2,291,000

14. Capital Commitments

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements		
– capital expenditure in respect of acquisition of plant and machinery	**1,144**	3,000
– capital expenditure in respect of investment in an associate	**–**	1,976
Authorised but not contracted for		
– capital expenditure in respect of the acquisition of property, plant and equipment	**204**	–

15. Related Party Transactions

		30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
During the period, the Group entered into the following transactions with related parties:			
Name of related party	**Nature of transaction**		
Dong Hai Noble House	Sales of processed food	**224**	368
	Handling fee income on VIP cards	**29**	38
Bin Jiang Noble House	Sales of processed food	**118**	–
	Management fee income	**250**	–
	Handling fee income on VIP cards	**8**	–
Chengdu Noble House Food and Beverage Co., Ltd. ("Chengdu Noble House") (Note)	Sales of processed food	**–**	133
	Management fee income	**–**	311
	Handling fee income on VIP cards	**–**	71

Note: Chengdu Noble House ceased to be an associate of the Group from August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

As at 30 June 2013, we owned and operated seven restaurants under the Group's own brand name "Noble House (名軒)" across different regions in the PRC, including Shanghai, Beijing and Qingdao, managed and operated one restaurant in Dalian, and provided restaurant management consulting services to one restaurant in Nantong. We also operated two restaurants in Shanghai and Ningbo, which are associates of the Group. Apart from these restaurants, we operated a food plant in Shanghai ("Shanghai Food Plant"), which was primarily established to provide food production services to our restaurants. We believe the planned expansion of our restaurant network in first-tier developed cities or cities in the PRC with potential economic growth helps to promote the brand and reputation of the Group to the targeted high spending customers and facilitates the Group in capturing and stabilising market share in the high-end dining industry.

For the six months ended 30 June 2013, the Group recorded an unaudited turnover of approximately RMB49,721,000, showing a 18.2% decrease from approximately RMB60,786,000 for the corresponding period of the previous year. The decrease in revenue was mainly attributable to the new regulations that lower the high-value spending by government officials imposed by PRC Government since November 2012. Such effect was highly affected the revenue generated from operation of restaurants.

Revenue from operation of restaurants for the period ended 30 June 2013 recorded at RMB44,283,000, a significant decrease of 22.7% from approximately RMB57,319,000 for the corresponding period of the previous year. Revenue generated from the provision of management services for the period ended 30 June 2013 and 2012 recorded at RMB728,000 and RMB721,000, respectively. The revenue remained stable across both six-month interim periods.

During the first half of 2013, sales of processed goods registered significant growth, with revenue advance from RMB1,859,000 to RMB4,710,000 in the first half of 2013. The sales was derived from the Shanghai Food Plant, which processes supplemental food products including, among others, spicy XO sauce with crab meat, crab-roe, processed abalone and braised meat, under the Group's own brand name "Noble House (名軒)", for supply to the Group's restaurants and a local supermarket in Shanghai. The growth was mainly driven by the increased recognition of the branded packaged food products offered by the Group, and the Group expects to increase its source of income by expanding its production capacities and the range of food products to be produced by the plant, so as to achieve a more diversified group of customers in near term.

Gross profit margin

Gross profit represents the revenue less cost of inventories consumed. The gross profit margin of the Group decreased slightly from approximately 62.8% for the six months ended 30 June 2012 to approximately 60.5% for the six months ended 30 June 2013, which was primarily due to the downward price adjustment of our menus in the first half of 2013.

Cost of inventories consumed

The Group's cost of inventories consumed decreased by approximately RMB2,906,000, or by approximately 12.9%, from approximately RMB22,561,000 in the first half of 2012 to approximately RMB19,655,000 in the first half of 2013. Despite significant drop in the Group's revenue, the Group has suffered from the increase in the cost of food ingredients during the period.

Staff cost

The Group's staff cost increased by approximately RMB3,918,000, or by approximately 29.6%, from approximately RMB13,221,000 in the six months ended 30 June 2012 to approximately RMB17,139,000 in the six months ended 30 June 2013. The increase in the staff cost was primarily due to the overall increase in the level of salaries and other employee benefits of the Group. Staff cost as a percentage of the Group's revenue substantially increased from approximately 21.8% in 2012's interim period to approximately 34.5% in 2013's interim period primarily as a result of the Group's headcount increase from 618 as at 30 June 2012 to 680 as at 30 June 2013 and average salaries increase due to inflation.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the first six months ended 30 June 2013 amounted to approximately RMB1,023,000, a increase of approximately 24.3% as compared with the amount of RMB823,000 of the six months ended 30 June 2012, mainly due to some renovation works have been carried out in those Shanghai restaurants at the end of 2012.

Utilities and consumables

Utilities and consumables increased by approximately RMB442,000, or approximately 20.3%, from approximately RMB2,172,000 in 2012's interim period to approximately RMB2,614,000 in 2013's interim period. As a percentage of revenue, utilities and consumables increased from approximately 3.6% in 2012's first half to approximately 5.3% in 2013's first half, primarily due to the decreased in revenue and increased in inflation rates.

Rental expenses

The operating lease rental expenses for the six months ended 30 June 2013 amounted to approximately RMB10,984,000, an increase of approximately 28.1% as compared with that of the six months ended 30 June 2012. The rise was mainly due to higher rental expenses have been charged by landlord upon the renewal of rental agreement due to the inflation.

Advertising and marketing expenses

Advertising and marketing expenses increased by approximately RMB284,000 or approximately 43.7% from approximately RMB650,000 in 2012's first half to approximately RMB934,000 in 2013's first half, which was mainly due to the large advertising campaign held in the first six months of 2013 in order to increase the publicity of the Group to raise the revenue.

Other expenses

Other expenses decreased by approximately RMB1,959,000, or approximately 23.2%, from approximately RMB8,453,000 in 2012's first half to approximately RMB6,494,000 in 2013's first half, primarily due to the cost control measures during the industry downturn.

Income tax expenses

The Group's income tax expense decreased by approximately RMB1,164,000, or by approximately 92.6%, from approximately RMB1,257,000 in the six months ended 30 June 2012 to approximately RMB93,000 in the six months ended 30 June 2013, as a result of taxable loss incurred in 2013's first half as compared to the corresponding period of the previous year.

Non-controlling interests

Non-controlling interests decreased from approximately RMB3,000 profit for the six months ended 30 June 2012 to approximately RMB380,000 loss in the corresponding period of 2013. Such decrease was attributable to the operating loss made by the non-wholly-owned subsidiaries during the review period.

(Loss) profit and total comprehensive (expenses) income attributable to owners of the Company and net profit margin

The Group recorded loss and total comprehensive expenses attributable to owners of the Company of RMB13,878,000, while approximately RMB2,463,000 profit and total comprehensive income attributable to owners of the Company was recorded in 2012's first half. The decrease was mainly due to the significant decrease in revenue due to the industry downturn, together with higher operating expenses after the opening of two new restaurants at the beginning of 2013.

Prospects

Although the Catering industry is facing the downturn, the management is still optimistic to reduce the total loss for the period in the second half of 2013 and believes that the Group will be able to sustain its business and strengthen its position as a high end restaurant operator in the PRC.

During the six months ended 30 June 2013, a new restaurant which chiefly targets middle restaurant market of PRC has been established in Shanghai, as a strategic move taken by the management to mitigate the impact on PRC's high-ended catering business by the PRC government's recent sets of regulations and restrictions to promote frugality and curb waste.

In the foreseeable future, the Group will slow down the opening of new restaurants in PRC and expand the market in food trading business in Hong Kong. In the mean time, we will also continue to upgrade the existing restaurants facilities and offer various training programmes to the staff to improve the dining environment and enhance customer satisfaction. And we will further increase the source of income by expanding our production capacities and the range of food products to be produced.

Comparison of Business Plan with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Company's prospectus dated 20 December 2011 (the "Prospectus") with actual business progress up to 30 June 2013.

	Business plan up to 30 June 2013 as set out in the Prospectus	**Actual business progress up to 30 June 2013**
Diversify service and product offerings with the implementation of a new branding strategy		
Opening of new restaurants	Progress payment for the capital expenditure of a new restaurant	During 2012, the Group has made a strategic move to further utilize its competitive edge in the high end catering industry to establish a new luxury club house restaurant situated at the heart of Shanghai metropolis, alongside the Riverside Promenade in Pudong district. This club house restaurant was subsequently opened in January 2013. With a total area of approximately 1200 square meters, it can offer a variety of our renowned finest wine and dishes and afford a fine view of the Bund at a distance and the marvelous views of Pudong's skyscrapers, creating for our valued customers a brand new and incomparable dining experience along the east bank of the Huangpu River.

Diversify service and product offerings with the implementation of a new branding strategy		
Expansion in the range of food products	Conduct feasibility study on new products and expand its internal production line	Market researches and feasibility study were carried out by the management in an on-going basis to evaluate the profitability of the new business.
Enhance existing restaurant facilities		
Enhance existing restaurant facilities	Acquire, upgrade or replace the existing equipment and facilities to enhance restaurant operating environment	The Group has enhanced a variety of restaurant equipment, utensils and consumables in its existing restaurants to better customer experience of dining.
Explore merger and acquisition opportunities and business collaboration opportunities with local partners in the food and beverage industry		
Explore merger and acquisition opportunities and business collaboration opportunities with local partners in the food and beverage industry	Conduct feasibility study or acquisition of potential merger and acquisition target	The Group is in the process of seeking potential merger and acquisition targets, and is currently evaluating the collaboration plans with local partners in the industry.
Strengthen staff training		
Strengthen staff training	Provide training program to employees to enhance their skills	The Group has appointed external professional party and enhanced internal training to improve the hand-on skills and product knowledge of its employees.
Enhance marketing activities to promote brand awareness and broaden the Group's customer base		
Enhance marketing activities to promote brand awareness and broaden the Group's customer base	Launch marketing activities for brand building	The Group has arranged regular advertising and marketing campaigns, including various mass media channels, to promotion the Group's business and brand recognition.

The net proceeds from the Placing were approximately HK$28.7 million, which was based on the final placing price of HK$0.72 per share and the actual expenses related to the Listing. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the Placing from the date of listing (i.e. 30 December 2011) (the "Listing Date"), to 30 June 2013 had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 30 June 2013	Actual use of proceeds from the Listing Date to 30 June 2013
	HK$ million	HK$ million
– Diversify service and product offering (Note)	14.0	12.5
– Enhance existing restaurant facilities	1.6	1.6
– Strengthen staff training	1.3	1.2
– Enhance marketing activities to promote brand awareness and broaden the Group's customer base	3.8	3.3
– Explore merger and acquisition opportunities and business collaboration opportunities with local partners in the food and beverage industry	6.0	0.7
– Working capital	1.3	1.3
Total	28.0	20.6

Note: Actual use of proceeds was lower as compared to the adjusted net proceeds which was mainly attributable to the evaluation of market condition by the Directors, that the management will remain prudent on the Group's expansion plan in view of the overall impact of the uncertainty rased by the recent PRC regulatory development.

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 and China.

Liquidity and financial resources

The Group's funding and treasury activities are managed and controlled by the senior management. Historically, the Group funded its liquidity and capital requirements principally through cash inflow from operating activities, and shareholders' financing as well as other borrowings. Following the Company's IPO in December 2011, the Group funds its liquidity and capital requirements by the net proceeds from IPO as well as internal resources.

The Group maintained cash and bank balances of approximately RMB10,878,000 as at 30 June 2013 (as at 31 December 2012: approximately RMB22,901,000). The net assets of the Group as at 30 June 2013 were approximately RMB35,375,000 (as at 31 December 2012: approximately RMB49,633,000).

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Gearing ratio is not applicable to the Group as at both 31 December 2012 and 30 June 2013 as the Group did not have any borrowings as at the end of both reporting periods.

Capital Structure

The capital structure of the Group consists of net debt, which includes amount due to directors and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

Foreign currency exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits, including net proceeds from the Company's IPO, were denominated mainly in Hong Kong dollars, with some denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 30 June 2013, the Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2013, the Group did not use any financial instruments for hedging purposes.

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

There were no significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2013. Save for the business plan as disclosed in this report, there is no plan for material investments or capital assets as the date of this report.

Combined Statement of financial position of associates

As at 30 June 2013, the Group had advances to two associates, namely Dong Hai Noble House Food and Beverage Co., Ltd. and Bin Jiang Noble House Food and Beverage Co., Ltd.. The combined statement of financial position of the two associates (with attributable interest of the Group in the two associates) as at the latest applicable date (i.e. 30 June 2013) is set out below:

	Combined Statement of financial position RMB'000	**Group's attributable interest** RMB'000
Non-current assets	14,351	5,285
Current assets	6,716	2,248
Current liabilities	(26,464)	(9,355)
	(5,397)	(1,822)
Share capital	2,000	600
Reserve	(7,397)	(2,422)
Non-current liabilities	–	–
	(5,397)	(1,822)

OTHER INFORMATION

Interests of the Compliance Adviser

As notified by Quam Capital Limited ("Quam Capital"), the Company's compliance adviser, neither Quam Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2013.

Audit Committee

The Audit Committee was established to review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The Audit Committee comprises the three independent non-executive Directors, namely Mr. Chan Chun Sing, Mr. Tse Wai Chuen, Tony and Mr. Wang Zhi Zhong. The chairman of the Audit Committee is Mr. Chan Chun Sing. The Group's interim report and results announcement for the six months ended 30 June 2013 have been reviewed by the Audit Committee, which was of the opinion that such report and results were prepared in accordance with the applicable accounting standards and requirements. The committee also monitored the Company's progress in implementing the code provisions of corporate governance practices as required under the GEM Listing Rules.

Corporate Governance Practices

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code") throughout the six months ended 30 June 2013.

In accordance with the code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Tai Neng is the executive chairman and the chief executive officer of the Company. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Chan to assume both roles as chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles. With the strong business experience of the Directors, they do not expect any issues of concern would arise due to the combined role of Mr. Chan. The Group also has in place an effective internal control system, including the engagement of a professional accounting firm to conduct internal audit, to perform check and balance functions.

Save for disclosed above, the Directors are of the opinions that the Company and the Broad had complied with the Corporate Governance Code during the period from the Listing Date up to 30 June 2013.

Model Code For Securities Transactions By Directors of Listed Issuers ("the Model Code")

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors from the Listing Date up to 30 June 2013.

Contingent Liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities.

Charge on Group Assets

As at 30 June 2013, the Company did not pledge any assets at the end of the reporting period.

Employment and Remuneration of Employees

As at 30 June 2013, the Group had approximately 720 full time employees in the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related bonus.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme has become effective on 12 December 2011. No share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 30 June 2013.

Directors' and Chief Executives' Interests in securities

As at 30 June 2013, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Interest in the Company

Name of director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Chan Tai Neng	1	Interest of controlled corporation	182,000,000 (L)	65%
Mr. Cheung Chi Keung	2	Interest of controlled corporation	182,000,000 (L)	65%

Notes:

1. Mr. Chan Tai Neng is deemed to be interested in 182,000,000 Shares held by Blossom Merit Limited under the SFO.

2. Mr. Cheung Chi Keung is deemed to be interested in 182,000,000 Share held by Blossom Merit Limited under the SFO.

During the six months ended 30 June 2013, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' and other persons' Interests in securities

For the six months ended 30 June 2013, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is 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 any member of the Group.

Interest in the Company

Name	Capital and nature of interest	Number of shares	Percentage of the Company's issued share capital
Blossom Merit Limited (Note)	Beneficial owner	182,000,000 (L)	65%

Note:

Blossom Merit Limited, a company incorporated in British Virgin Islands on 6 July 2011 with limited liability and an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung in the proportion of 90% and 10% respectively as at 30 June 2013.

During the six months ended 30 June 2013, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person other than the Directors and the chief executive of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is 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 any other member of the Group or options in respect of such share capital.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Communication with shareholders

The Board communicates with the shareholders through the annual general meetings and special general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars, notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company.

By order of the Board
Chan Tai Neng
Chairman and executive Director

Hong Kong, 14 August 2013

As at the date of this report, the Board comprises Mr. Chan Tai Neng, Mr. Cheung Chi Keung and Mr. Chan Meng Hou as executive Directors, Mr. Chan Chun Sing, Mr. Tse Wai Chuen, Tony and Mr. Wang Zhi Zhong as independent non executive Directors.

This report will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and on the website of the Company at http://www.noblehouserestaurant.cn.