



epicurean | 惟膳
Epicurean and Company, Limited
惟膳有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8213)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
31 DECEMBER 2013**

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

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

**FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED
31 DECEMBER 2013**

Consolidated turnover was HK\$301.3 million for the period under review, representing an increase of 85% compared with HK\$163.3 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to HK\$11.7 million from HK\$13.7 million compared with the corresponding period last year.

RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the period ended 31 December 2013, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2013

		For the nine months ended 31 December		For the three months ended 31 December	
		2013	2012	2013	2012
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Turnover	2	301,299	161,771	105,031	78,065
Cost of sales and services rendered		(97,438)	(52,539)	(35,107)	(25,084)
Gross profit		203,861	109,232	69,924	52,981
Other income		2,066	1,244	977	694
Operating expenses		(211,529)	(114,676)	(76,017)	(53,142)
Operating loss		(5,602)	(4,200)	(5,116)	533
Finance costs		(4,980)	(4,343)	(1,734)	(1,565)
Loss before income tax		(10,582)	(8,543)	(6,850)	(1,032)
Income tax expense	3	(1,137)	(284)	(379)	(419)
Loss for the period from continuing operation		(11,719)	(8,827)	(7,229)	(1,451)
Discontinued operations					
Loss for the period from discontinued operations		-	(4,752)	-	-
Loss for the period		(11,719)	(13,579)	(7,229)	(1,451)
Other comprehensive (loss)/ income, net of tax					
Exchange (loss)/gain arising from translation of foreign operations		(286)	1	(128)	10
Total comprehensive loss for the period		(12,005)	(13,578)	(7,357)	(1,441)

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss for the period attributable to:					
Owners of the Company		(11,650)	(13,716)	(7,048)	(1,578)
Non-controlling interests		(69)	137	(181)	127
		<u>(11,719)</u>	<u>(13,579)</u>	<u>(7,229)</u>	<u>(1,451)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(11,936)	(13,715)	(7,176)	(1,568)
Non-controlling interests		(69)	137	(181)	127
		<u>(12,005)</u>	<u>(13,578)</u>	<u>(7,357)</u>	<u>(1,441)</u>
Loss per share (HK cents)	5				
From continuing and discontinued operations					
– Basic		<u>(0.52)</u>	<u>(0.71)</u>	<u>(0.31)</u>	<u>(0.07)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
From continuing operations					
– Basic		<u>(0.52)</u>	<u>(0.46)</u>	<u>(0.31)</u>	<u>(0.07)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
From discontinued operations					
– Basic		<u>N/A</u>	<u>(0.25)</u>	<u>N/A</u>	<u>N/A</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2013

	Attributable to owners of the Company										
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Employee	Convertible	Other reserve	Total	Non-controlling interests	Total
						share-based compensation reserve	bonds equity reserve				
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2012 (Audited)	16,430	(88,963)	103,610	3,801	1,173	886	2,100	-	39,037	1,158	40,195
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	353	-	-	353	-	353
Release upon disposal of a subsidiary	-	-	-	-	(1,211)	-	-	-	(1,211)	-	(1,211)
Conversion of convertible bonds	6,000	-	31,992	-	-	-	(1,938)	-	36,054	-	36,054
Recognition of equity component of convertible bond	-	-	-	-	-	-	2,775	-	2,775	-	2,775
Total comprehensive loss for the period	-	(13,716)	-	-	1	-	-	-	(13,715)	137	(13,578)
At 31 December 2012 (Unaudited)	<u>22,430</u>	<u>(102,679)</u>	<u>135,602</u>	<u>3,801</u>	<u>(37)</u>	<u>1,239</u>	<u>2,937</u>	<u>-</u>	<u>63,293</u>	<u>1,295</u>	<u>64,588</u>
At 1 April 2013 (Audited)	22,430	(106,724)	135,200	3,801	104	1,289	2,521	-	58,621	1,380	60,001
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	529	-	-	529	-	529
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(75)	(75)	(75)	(150)
Total comprehensive loss for the period	-	(11,650)	-	-	(286)	-	-	-	(11,936)	(69)	(12,005)
At 31 December 2013 (Unaudited)	<u>22,430</u>	<u>(118,374)</u>	<u>135,200</u>	<u>3,801</u>	<u>(182)</u>	<u>1,818</u>	<u>2,521</u>	<u>(75)</u>	<u>47,139</u>	<u>1,236</u>	<u>48,375</u>

Notes:

1. BASIS OF PREPARATION

These unaudited consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the historical cost convention as modified by revaluation of financial assets at fair value through profit or loss and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated quarterly results are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2013.

2. TURNOVER

Turnover, from both continuing and discontinued operations, represents revenue recognized in respect of provision of food and beverage services, sale of application software packages and others, net of discounts and business tax, during the period. An analysis of the turnover recorded for the period is set out below:

	Continuing operations		Discontinued operations		Total	
	For the nine months ended 31 December		For the nine months ended 31 December		For the nine months ended 31 December	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Provision of food and beverage services	301,299	161,771	-	-	301,299	161,771
Sales of application software packages and related maintenance income	-	-	-	1,483	-	1,483
	301,299	161,771	-	1,483	301,299	163,254

3. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2013 (unaudited) <i>HK\$'000</i>	2012 (unaudited) <i>HK\$'000</i>
Continuing operations		
Current tax	3,158	2,329
Deferred tax	<u>(2,021)</u>	<u>(2,045)</u>
	<u>1,137</u>	<u>284</u>
Discontinued operations		
Current tax	-	40
Deferred tax	<u>-</u>	<u>119</u>
	<u>-</u>	<u>159</u>
Income tax expense	<u>1,137</u>	<u>443</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company’s subsidiaries incorporated/established in Hong Kong and the People’s Republic of China (“PRC”) are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax at the rates of 16.5% and 25% respectively (2012: 16.5% and 25% respectively).

4. DISCONTINUED OPERATIONS

During the period ended 31 December 2012, the shareholders of the Company passed an ordinary resolution at an extraordinary general meeting on 18 April 2012 to discontinue all the information technology businesses.

Loss for the period ended 31 December 2012 for all the information technology businesses was as follows:

	For the nine months ended 31 December	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	–	1,483
Cost of sales and services rendered	–	(636)
	<hr/>	<hr/>
Gross profit	–	847
Loss on disposal of subsidiaries – <i>Note 7</i>	–	(3,839)
Operating expenses	–	(1,417)
	<hr/>	<hr/>
Operating loss	–	(4,409)
Finance costs	–	(1)
	<hr/>	<hr/>
Loss before income tax	–	(4,410)
Income tax expense	–	(342)
	<hr/>	<hr/>
Loss for the period	–	(4,752)
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5. LOSS PER SHARE

Basis loss per share

The calculation of basic loss per share during the period for the nine months ended 31 December 2013 and 2012 is based on the following data:–

	2013		2012	
	Loss attributable to owners <i>HK\$'000</i>	Weighted average number of ordinary shares	Loss attributable to owners <i>HK\$'000</i>	Weighted average number of ordinary shares
Continuing operations	(11,650)	2,242,950,000	(8,964)	1,935,314,000
Discontinued operations	–	2,242,950,000	(4,752)	1,935,314,000
	<hr/>	<hr/>	<hr/>	<hr/>
	(11,650)	2,242,950,000	(13,716)	1,935,314,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Weighted average number of ordinary shares

	2013 <i>'000</i>	2012 <i>'000</i>
Issued ordinary shares at the beginning of the period	2,242,950	1,642,950
Effect of conversion of convertible bonds	<u>–</u>	<u>292,364</u>
Weighted average number of ordinary shares at the end of the period	<u>2,242,950</u>	<u>1,935,314</u>

The calculation of basic loss per share during the period for the three months ended 31 December 2013 and 2012 was based on the following data:–

	2013		2012	
	Loss attributable to owners <i>HK\$'000</i>	Weighted average number of ordinary shares	Loss attributable to owners <i>HK\$'000</i>	Weighted average number of ordinary shares
Continuing operations	(7,048)	2,242,950,000	(1,578)	2,242,950,000
Discontinued operations	<u>–</u>	<u>2,242,950,000</u>	<u>–</u>	<u>2,242,950,000</u>
	<u>(7,048)</u>	<u>2,242,950,000</u>	<u>(1,578)</u>	<u>2,242,950,000</u>

Weighted average number of ordinary shares

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2013 and 2012.

6. ACQUISITION OF SUBSIDIARIES

During the period ended 31 December 2012, the Group completed the acquisition of the entire equity interest in Mark Limited and its subsidiaries (collectively referred to as the “Mark Group”) from Strong Venture Limited (“Strong Venture”), which was wholly and beneficially owned by a director of the Company, Mr. Tang Sing Ming Sherman (“Mr. Tang”), at a total consideration of HK\$80 million which was satisfied by convertible bonds issued by the Company. Mark Group is operating restaurants, café and cake shops in Hong Kong.

The net assets acquired in above acquisition were as follows:

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net assets acquired:		
Other intangible assets	–	16,292
Plant and equipment	–	12,788
Income tax recoverable	–	367
Inventories	–	1,895
Debtors, deposits and prepayments	–	11,602
Cash and bank balances	–	6,477
Creditors, accruals and deposit received	–	(11,411)
Bank loans, secured	–	(8,767)
Income tax payable	–	(1,691)
Deferred tax liabilities	–	(2,901)
	<hr/>	<hr/>
	–	24,651
Goodwill on acquisition of subsidiaries	–	55,095
	<hr/>	<hr/>
Consideration for acquisition of subsidiaries – fair value of convertible bonds	–	79,746
	<hr/> <hr/>	<hr/> <hr/>
Net cash inflow arising on acquisition:		
Cash and bank balances acquired	–	6,477
	<hr/>	<hr/>
	–	6,477
	<hr/> <hr/>	<hr/> <hr/>

7. DISPOSAL OF SUBSIDIARIES

During the period ended 31 December 2012, the Group disposed of the entire equity interest in Armitage Technologies Holding (BVI) Limited and its subsidiaries (collectively referred to as the “Armitage Group”) in order to discontinue all the businesses of the provision of information solutions and design, development and sale of application software packages.

The net assets of the above subsidiaries being disposed of were as follows:–

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net assets disposed of:–		
Plant and equipment	–	3,867
Deferred tax assets	–	335
Debtors, deposits and prepayments	–	3,276
Cash and bank balances	–	5,965
Creditors, accruals and deposit received	–	(6,793)
	<hr/>	<hr/>
Net assets disposed of	–	6,650
Release of exchange reserve	–	(1,211)
	<hr/>	<hr/>
	–	5,439
Loss on disposal of subsidiaries – <i>Note 4</i>	–	(3,839)
	<hr/>	<hr/>
Total consideration	–	1,600
	<hr/> <hr/>	<hr/> <hr/>
Total consideration satisfied by:–		
Cash consideration	–	1,600
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 31 December 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited turnover for the nine months ended 31 December 2013 amounted to HK\$301.3 million from continuing operations (2012: HK\$161.8 million), representing an increase of 86% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by HK\$2.0 million, to HK\$11.7 million.

Industry Overview

During this period, Hong Kong economy continued to expand at a moderate pace notwithstanding the notable external headwinds. The resilient growth in the mainland market helps to offset a weaker environment in the overseas. Stimulated by rising income and a low unemployment rate, growth of domestic demand, the key driver of Hong Kong economy, continued on its upward track.

Retail sales, though faced a deceleration during the second quarter of 2013, picked up its growth pace again in late 2013. During the period, the overall retail sector registered a strong growth figure largely due to positive consumer sentiment and further expansion of inbound tourist. As the Individual Visit Scheme has been launched for 10 years, China's tourist tastes are maturing. We observe a change in tourist profile, travel patterns and shopping behavior. There are less first-time tourists and visitors want to make more focused trips, which include more quality exposure to local dining and culture. Such shift in spending pattern has brought benefits to the food & beverage ("F&B") sector.

As the restaurant industry is a highly competitive industry with low average margin, our profit is highly sensitive to costs. In the past quarters, high rate rent, shortage of labour and rising operating costs remained constant challenges to our business. After years of explosive growth, rents in the prime street shop segment start to fall. Rents in shopping malls where most of our stores located, however, remain high. Meanwhile, high labour costs persisted. As a result, we have to regularly revamping our strategies to retain energetic and ambitious staff.

Business Review

The close of the third fiscal quarter means that we are about to end fiscal year 2013/2014. In the previous financial year, we outlined the blueprint for future development and growth for the Group. We are delighted to report that during the nine months reporting period, we have achieved most of our goals in the agenda.

Leveraging on our establishments in Hong Kong and our extensive network in the F&B industry, we developed further by ramping up our presence in the massive PRC market. We also tapped into the Japan F&B market which was an important milestone of our overseas development. During the period, we set up our branch office in Tokyo, being our first branch office outside the Greater China region. It will help to facilitate the franchise management business under the Japanese curry specialty concept and also act as a stepping stone for our expansion to the overseas.

In the previous financial quarter, we acquired the licence rights of an izakaya brand. Market research and feasibility study were concluded before the end of the reporting period. As Hong Kong diners are more receptive to new concepts, we have planned to open our first store in Hong Kong to test the market.

Early this financial year, we imported a Japanese ramen brand to Hong Kong. As ramen concept has been one of the most popular dining trends in the region for the past years, we understand that the only way to succeed in the highly competitive segment is the quality of our products. Our goal is to bring the most regional flavour of Hokkaido ramen to Hong Kong and yet at a reasonable price range. Our store has successfully attracted customer flow and the performance is satisfactory. Within such a short period, the brand has already generated positive results to the Group.

Our core concept, restaurants, café and cake shops continued to be the major contributor for income and growth. To take the first step towards our overseas expansion, we have introduced our first store in each of Shanghai and Taipei city in the first quarter of this financial year. As of the close of this reporting period, we already operated more than 30 stores in the Greater China region, including 5 stores in Shanghai and 4 stores in Taipei city. Thanks to the rapid new store openings and broadened customer base, this segment marked a new sales record. Due to the continuous shift in customer behavior, we further increased our connection and communications with our customers beyond the walls of our stores by leveraging on the social and digital media, and loyalty programme. Furthermore, we have developed an online membership platform to collect customer feedbacks. We believe that once launched, the system will bring us closer to our customers and further enhance the customer relations.

Another core brand in our portfolio, Japanese tonkatsu brand remained another major contributor to the Group's revenue. For the nine months reporting period, all stores under this concept had achieved a significant same store sales growth comparing with the same period last year. However, competition in this segment remained very keen. Therefore, we launched "Thanks Giving Day" at a store to test the market and the result was encouraging. The promotion scheme not only had sparked spending, but also attracted first time visit which substantially increase customer flow. In Shanghai, we have rapidly increased our store number to three. As the two lately opened stores were located in newly-built shopping malls, the sales figures were not as strong as the old store. However, we believe that the revenue will eventually pick up along with the completion of office and residence buildings nearby.

The Japanese curry brand continues to contribute the Group with stable revenue. In this nine months reporting period, three new stores under the brand were opened, one in Hong Kong, and the other two in Shanghai. During the period, we had concluded the acquisition of the original establishments of this concept in Japan, through which we would possess the global rights of the brand. Apart from acting as a licensee in the region, we have initiated our franchise management business in Japan. As of the end of the period, we have already secured two franchisees in Tokyo.

Meanwhile, another key business platform, the Shanghainese dining group had provided the Group with a steady flow of revenue. More efforts have been allocated on marketing and promotion to increase brand exposure. During the period, our celebrity consultant chef was invited to visit Hong Kong with his award-winning signature dishes, which had helped to attract numerous media coverage. Every season, we launched a series of special menus that showcased the authentic Shanghainese dishes which had generated new source of income to our Group.

Seeing a growing demand for authentic Taiwanese taste in the region, we acquired the licence rights of a Taiwanese beef noodle to explore the market segment in last financial year. Our goal is to bring the most regional taste of Taiwan to Hong Kong. During the research and development stage, we have overcome numerous hurdles. For example, pricing strategy, operation efficiency and taste consistency etc. And finally, our efforts have paid off. The concept was enthusiastically welcomed by the market. Here, we are excited to report that one of our two Taiwanese beef noodle stores has been rated as a recommended restaurant in a prestigious international food guide for 2014. This will definitely help to promote the brand and attract more customer traffic in the future.

The performance of our self-developed wellness café concept had lagged behind other concepts in our portfolio. Major indicators, such as the table turnover rate and per head spending were unsatisfactory. The management resolved not to renew the tenancy agreements upon expiration of lease term. We will review our strategy to revamp the brand.

Sales of our catering services company increased thanks for the engagement of various long-term customers. The profitability also increased correspondingly. Despite the keen competition and pressure on rising food costs, the profit margin is maintained at a stable rate. We will continue to delight our customer with improving product quality and variety.

Future Prospects

In the coming quarters, we foresee pressure of inflation on all the key components of our operating costs will persist. Therefore, our top initiatives are expansion and growth with operational improvements and costs reduction.

Upcoming, we will continue to apply the multi-branding strategy to drive our growth and achieve further market penetration in our focused market segments. For our Hong Kong business platform, we will further strengthen our footing in the industry by adding new stores and exploring new concepts. We will also look at the possibility of co-operation and acquisitions, if appropriate. At the same time, PRC is another major target for our growth and expansion. In the coming quarters, we will focus on strengthening our operational foundation in Shanghai. After the close of the reporting period, we have been in discussion with owners of a food production factory to purchase their establishments in Shanghai. Currently, we are undergoing in depth feasibility study for the acquisition.

After the reporting period, we opened the first izakaya concept store in one of the most high-traffic shopping areas in Hong Kong. As izakaya is an emerging dining culture in Hong Kong, we have added new elements into the original concept to reflect the regional customs and culture. Apart from traditional Japanese tapas and wines, we also offer sushi, sashimi and robatayaki to provide our customers a wider variety of food choices. Soon after the opening of the first store in Hong Kong, another store under the same concept has been unveiled in Shanghai. We will closely monitor the development of this concept and seek for further business opportunities in the regions.

The restaurants, café and cake shops brand is already an endure brand in Hong Kong. The trust we have earned from our customers allowing us to launch more innovative products. Similarly, Japanese tonkatsu franchise business and the Shanghainese dining group are proven concepts in the region and therefore, making us more adaptable to the changing dining preference and operating environment. We understand that ongoing innovation is a key to success. Therefore, we will strike a balance between maintaining the tradition of each concept and keep customers interest with new taste.

We will adhere to our multi-brand strategy to drive our business growth. Apart from those more matured concepts, we will continue to enhance the brand image and strengthen the market positioning of other younger concepts, including the Japanese curry specialty stores and ramen store. Our Taiwan beef noodle brand, despite its short history in Hong Kong, has gained reputation in the region. Leverage on the recent success, two more stores have been identified. While we are proud of our achievements, we have learned never to take our success for granted. We will continue to improve our quality and service and enrich our menu with the latest dining trend imported from Taiwan.

On another front, we will review those stores across the brands that have underperformed and remodel each store to tackle with their particular situation.

As the total number of stores operated by the Group is increasing rapidly, we target to gradually centralize our production in order to maintain a consistent quality and also implement cost control measures uniformly across our brands. The planning of our new central food processing plant and distribution center is in progress. The first phase of construction is expected to be started in the coming quarters.

Finally, the management would like to thank our staff members for their dedication to bringing value to our customers. We would also extend our special thanks to our shareholders for their continued support. We will adhere to pursue our diversified, multi-brand business model in the future.

FINANCIAL REVIEW

Consolidated results of operations

For the nine months ended 31 December 2013, the Group recorded total turnover from continuing operations of HK\$301.3 million (2012: HK\$161.8 million), the turnover increased by 86% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$11.7 million (2012: HK\$13.7 million).

The gross profit margin of the Group was 68% (2012: 68%).

Total operating expenses increased by 84% to HK\$211.5 million (2012: HK\$114.7 million) which were quite in line with the increase in turnover from the continuing operations. Besides, such increase was mainly resulted from the operating expenses incurred by Mark Group which was acquired by the Group in August 2012 through a very substantial acquisition.

Other financial assets

On 10 February 2010, a wholly-owned subsidiary of the Company, Marvel Success Limited (“Marvel Success”) subscribed at face value, a two-year 5% convertible bond (“PJ Convertible Bond”) in the principal amount of US\$2,000,000 (equivalent to approximately HK\$15,500,000 as at 31 March 2013) issued by PJ Partners Pte. Ltd. (“PJ Partners”), a company which is incorporated in Singapore with limited liability and is engaged in food and beverage management business, with transaction costs of HK\$1,300,000. According to the terms of the subscription agreement, the conversion price is lower of the net asset value per share or 2.5 times the net profit per share of PJ Partners at the time of conversion provided that Marvel Success is allowed to use US\$2,000,000 to convert to shares of PJ Partners up to 75% or minimum 25% of the issued share capital of PJ Partners.

At initial recognition, the loan receivable component of PJ Convertible Bond was recognized at fair value of HK\$16,217,000 which was estimated by discounted cash flows method using a market interest rate for a similar investment plus allocated transaction costs. The loan receivable is carried at amortized cost in subsequent measurement.

For derivative component of PJ Convertible Bond, the fair value at initial recognition was HK\$633,000, which was estimated by the difference between the consideration paid and the fair value of loan receivable component at initial recognition.

On 10 February 2012, Marvel Success executed a supplemental deed with PJ Partners under which the maturity date of the PJ Convertible Bond had been extended for one year from the second anniversary to the third anniversary of the date of the issue of the PJ Convertible Bond.

On 4 February 2013, Marvel Success executed a second supplemental deed with PJ Partners under which the maturity date of the PJ Convertible Bond had been further extended to 9 May 2013 or such later date to be mutually agreed in writing between PJ Partners and Marvel Success.

On 8 May 2013, Marvel Success executed a third supplemental deed with PJ Partners under which the maturity date of the PJ Convertible Bond had been further extended to 9 August 2013 or such later date to be mutually agreed in writing between PJ Partners and Marvel Success.

On 9 August 2013, Marvel Success executed a fourth supplemental deed (the “Fourth Supplemental Deed”) with PJ Partners under which the maturity date of the PJ Convertible Bond had been further extended to 9 November 2013 in order to offer PJ Partners additional time to arrange payment of the outstanding principal amount of the PJ Convertible Bond.

During the period under review, PJ Partners had settled the principal amount and all the interests accrued under the PJ Convertible Bond as well as the extension fee as contemplated under the Fourth Supplemental Deed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the nine months ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

DIRECTORS’ INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2013, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), Chapter 571 under the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register

referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital <i>(Note 3)</i>
Mr. Tang Sing Ming Sherman (“Mr. Tang”) <i>(Note 2)</i>	Beneficiary of a trust	1,673,810,083 <i>(Note 1)</i>	74.63%

Notes:

- Mr. Tang is the founder and one of the beneficiaries of Piety Trust (“Family Trust”), a discretionary family trust for the benefit of certain family members of Mr. Tang. The said 1,673,810,083 shares are held by First Glory Holdings Limited (“First Glory”). First Glory is wholly-owned by Glory Sunshine Holding Limited (“Glory Sunshine”). In turn, Glory Sunshine is wholly-owned by HSBC Trustee (Cook Islands) Limited in its capacity as the trustee of the Family Trust. Mr. Tang is therefore deemed to be interested in the said 1,673,810,083 shares under Part XV of the SFO.

In addition, Mr. Tang is also the sole legal and beneficial owner of Strong Venture, which held convertible bond issued by the Company in the principal amount of HK\$80 million (“Convertible Bond”) pursuant to which a total of 1,000,000,000 ordinary shares of the Company will be issued upon full conversion at the conversion price of HK\$0.080 per share. Accordingly, Mr. Tang was deemed to be interested, within the meaning of Part XV of the SFO, in the Convertible Bond held by Strong Venture.

- Ms. Ho Ming Yee (“Ms. Ho”), the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.
- Based on 2,242,950,000 shares of the Company in issue as at 31 December 2013.

(b) Interests in underlying shares of equity derivatives of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital <i>(Note 3)</i>
Mr. Tang <i>(Note 2)</i>	Interest in corporation	1,000,000,000 <i>(Note 1)</i>	44.58%

Outstanding options granted to the Directors under the share option schemes adopted on 26 February 2003 and 20 July 2012 (collectively referred to as the “Share Option Schemes”):

Name	Date of grant	Exercise price per share (Note 4) HK\$	Exercisable period	Approximate percentage of the issued share capital (Note 3)	Number of share options outstanding
Mr. Tang (Note 2)	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.22%	5,000,000
	23 December 2011	0.062	From 23 December 2013 to 22 December 2021	0.22%	5,000,000
	23 December 2011	0.062	From 23 December 2014 to 22 December 2021	0.22%	5,000,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.22%	5,000,000
	19 April 2013	0.090	From 19 April 2015 to 18 April 2023	0.22%	5,000,000
Mr. Bhanusak Asvaintra	13 August 2010	0.138	From 13 August 2011 to 12 August 2020	0.04%	1,000,000
	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.02%	500,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.02%	500,000
Mr. Chan Kam Fai Robert	13 August 2010	0.138	From 13 August 2011 to 12 August 2020	0.04%	1,000,000
	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.02%	500,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.02%	500,000
Mr. Chung Kwok Keung Peter	13 August 2010	0.138	From 13 August 2011 to 12 August 2020	0.04%	1,000,000
	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.02%	500,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.02%	500,000
					31,000,000

Notes:

- The said 1,000,000,000 shares represent the total number of shares which would be issued upon full conversion of the Convertible Bond held by Strong Venture, which is wholly-owned by Mr. Tang, and the Convertible Bond was issued in the principal amount of HK\$80 million pursuant to which a total of 1,000,000,000 ordinary shares of the Company will be issued upon full conversion at the conversion price of HK\$0.080 per share. Accordingly, Mr. Tang was deemed to be interested, within the meaning of Part XV of the SFO, in the Convertible Bond held by Strong Venture.
- Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.

3. Based on 2,242,950,000 shares of the Company in issue as at 31 December 2013.
4. The original exercise price in respect of the share options granted on 13 August 2010 was HK\$0.142 per share. Adjustment of the exercise price of such share options has been made on 28 October 2011 to HK\$0.138 per share as a result of the rights issue by the Company in November 2011.

(c) Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
Mr. Tang	First Glory <i>(Note)</i>	Beneficiary of a trust	1	100%

Note:

The one issued share in the share capital of First Glory (which constitutes the entire issued share capital of First Glory) was held by Glory Sunshine. In turn, Glory Sunshine is wholly-owned by HSBC Trustee (Cook Islands) Limited in its capacity as the trustee of the Family Trust. Mr. Tang is the founder and one of the beneficiaries of the Family Trust.

(d) Interests in debentures of the Company

Name	Type of interests	Amount of Debentures
Mr. Tang <i>(Note 2)</i>	Interest in corporation	HK\$80 million <i>(Note 1)</i>

Notes:

1. The said HK\$80 million represents the outstanding principal amount of the Convertible Bond held by Strong Venture, which is wholly-owned by Mr. Tang. The Convertible Bond was issued pursuant to which a total of 1,000,000,000 ordinary shares of the Company would be issued upon full conversion at the conversion price of HK\$0.080 per share.
2. Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.

Save as disclosed herein, as at 31 December 2013, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed “Directors’ interests in the securities of the Company or any associated corporations”, so far as is known to the Directors and chief executive of the Company, as at 31 December 2013, no other persons or companies had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, except the following:

Name	Type of interests	Number of shares	Approximate percentage of the issued capital (Note 4)
HSBC Trustee (Cook Islands) Limited (Note 1)	Interest in corporation	1,673,810,083	74.63%
Glory Sunshine (Note 1)	Interest in corporation	1,673,810,083	74.63%
First Glory (Note 1)	Beneficial owner	1,673,810,083	74.63%
Strong Venture (Note 2)	Beneficial owner	1,000,000,000	44.58%
Ms. Ho (Note 3)	Interest in spouse	2,698,810,083	120.32%

Notes:

1. The said 1,673,810,083 shares of the Company are held by First Glory. First Glory is wholly-owned by Glory Sunshine. In turn, Glory Sunshine is wholly-owned by HSBC Trustee (Cook Islands) Limited in its capacity as the trustee of the Family Trust.
2. The said 1,000,000,000 shares represent the total number of shares which would be issued upon full conversion of the Convertible Bond held by Strong Venture, which is wholly-owned by Mr. Tang, and the Convertible Bond was issued in the principal amount of HK\$80 million pursuant to which a total of 1,000,000,000 ordinary shares of the Company would be issued upon full conversion at the conversion price of HK\$0.080 per share. Accordingly, Mr. Tang was deemed to be interested, within the meaning of Part XV of the SFO in the Convertible Bond held by Strong Venture.
3. Ms. Ho is the spouse of Mr. Tang, and is therefore deemed to be interested in the shares of the Company held by Mr. Tang. Please refer to the section headed “Directors’ interests in the securities of the Company or any associated corporations” for further details.
4. Based on 2,242,950,000 shares of the Company in issue as at 31 December 2013.

SHARE OPTIONS

As at 31 December 2013, options under Share Option Schemes to subscribe for an aggregate of 74,000,000 shares have been granted to a total of 14 directors and employees of the Group, details as follows:

	Date of grant	Exercisable period	Exercise price per share (Note) HK\$	Outstanding at 1.4.2013	Granted during the period	Lapsed during the period	Outstanding at 31.12.2013
Category 1:							
Directors							
Mr. Tang							
	23.12.2011	23.12.2012 – 22.12.2021	0.062	5,000,000	–	–	5,000,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000	–	–	5,000,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,000,000	–	–	5,000,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	–	5,000,000	–	5,000,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	–	5,000,000	–	5,000,000
Mr. BhanusakAsvaintra							
	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000	–	–	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	–	500,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	–	500,000	–	500,000
Mr. Chan Kam Fai Robert							
	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000	–	–	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	–	500,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	–	500,000	–	500,000
Mr. Chung Kwok Keung Peter							
	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000	–	–	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	–	500,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	–	500,000	–	500,000
Category 2:							
Employees							
	23.3.2010	23.3.2011 – 22.3.2020	0.210	2,000,000	–	–	2,000,000
	13.8.2010	13.8.2011 – 12.8.2020	0.138	6,000,000	–	–	6,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	6,000,000	–	–	6,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	3,800,000	–	–	3,800,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000	–	–	5,000,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	6,200,000	–	–	6,200,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	–	7,500,000	(500,000)	7,000,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	–	7,500,000	(500,000)	7,000,000
Total of all categories				<u>48,500,000</u>	<u>26,500,000</u>	<u>(1,000,000)</u>	<u>74,000,000</u>

Note:

The original exercise price in respect of the share options granted on 23 March 2010 and 13 August 2010 were HK\$0.216 and HK\$0.142 per share respectively. Adjustment of the exercise price of such share options has been made on 28 October 2011 to HK\$0.210 and HK\$0.138 per share respectively as a result of the rights issue by the Company in November 2011.

COMPETING INTERESTS

None of the directors, the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group or had any other conflicts of interests with the Group.

Mr. Tang, an executive Director, is a seasoned entrepreneur in hospitality management and consultancy services. He owns a well established hospitality group which creates and operates a wide variety of food and beverage concepts in Hong Kong and the PRC. Other than the Group, the restaurants currently owned and operated by Mr. Tang and his associates in Hong Kong include a number of Chinese restaurants (namely Joy & Joy 喜双逢, Xia Mian Guan 夏麵館, Kowloon Tang 九龍廳 and Tim's Kitchen 桃花源), western restaurants (namely The Peak Lookout, The Peak Lookout Airport, Jimmy's Kitchen, Steik World Meats, Agave, Club 97 and iL Posto 97), Japanese restaurants (Rei 礼 and Naha 那霸沖繩料理). The information of these restaurants, including their locations and menus, can be found in the website www.epicurean.com.hk (which is not the website of the Company).

Given the cuisines and dining experiences that these restaurants offer vis-a-vis that are currently offered by the Group's restaurants (which include Japanese tonkatsu under the name of Ginza Bairin 銀座梅林, the Shanghainese dining restaurants under the brand of Xia Fei 霞飛, wellness café concept under the names of Quick & Fresh and getgo fresh, restaurants, café and cake shops under the brands of Italian Tomato, the Japanese curry specialty stores under the name of Shirokuma Curry 白熊咖哩, the concept of Taiwanese beef noodles under the name of Xiao Wang Beef Noodle 小王牛肉麵, the Japanese ramen under the name of Mutsumiya 睦美屋 and the Japanese izakaya under the name of Enmaru 炎丸), Mr. Tang considers that the restaurants currently owned or operated by him and his associates (otherwise than through the Group) are not in competition with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter.

Up to the date of approval of the Group's unaudited results for the nine months ended 31 December 2013, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2013 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the nine months ended 31 December 2013, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2013, except for the deviations from Code Provisions A.2.1 and A.4.2 of the Corporate Governance Code. Details of the deviations are set out below.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

Mr. Tang is the Chairman of the Board and the Chief Executive Officer of the Company. As such, such dual role constitutes a deviation from Code Provisions A.2.1. However, the Board is of the view that:

- the Company's size is relatively small and thus does not justify the separation of the roles of the Chairman and Chief Executive Officer;
- the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer;
- Mr. Tang as the Chairman of the Board and the Chief Executive Officer of the Company is responsible for ensuring that all Directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributing to the Board and the Group on all top-level and strategic decisions; and
- this structure will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the Articles of Association of the Company, at every annual general meeting of the Company, one-third of the directors (for the time being, or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation, provided that the chairman of the Board and/or the managing director of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such, as at the date hereof, Mr. Tang being the Chairman of the Board, is not subject to retirement by rotation. The management of the Company is of the view that the membership of the Board represents rich and diversified background and industry expertise and as such, the management considers that there is no imminent need to amend the relevant provisions of the Articles of Association of the Company.

On behalf of the Board
Tang Sing Ming Sherman
Chairman

Hong Kong, 12 February 2014

As at the date of this report, the Company's executive Director is Mr. Tang Sing Ming Sherman; independent non-executive Directors are Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter.

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