



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



2014

Interim Report 2014

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

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. Tse Wai Chuen, Tony
Mr. Wang Zhi Zhong
Mr. Yeung Chi Wai

Company Secretary

Mr. Tsui Wing Tak

Compliance Officer

Mr. Cheung Chi Keung

Board Committees

Audit Committee

Mr. Tse Wai Chuen, Tony
Mr. Wang Zhi Zhong
Mr. Yeung Chi Wai (*Chairman*)

Remuneration Committee

Mr. Chan Tai Neng
Mr. Wang Zhi Zhong
Mr. Yeung Chi Wai (*Chairman*)

Nomination Committee

Mr. Chan Tai Neng (*Chairman*)
Mr. Wang Zhi Zhong
Mr. Yeung Chi Wai

Authorised Representatives

Mr. Chan Tai Neng
Mr. Cheung Chi Keung

Registered Office

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

Principal Place of Business in Hong Kong

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Wan Chai,
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/F, 148 Electric Road,
North Point,
Hong Kong

Legal Adviser to the Company

As to Cayman Islands law:
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Principal Banker

Industrial and Commercial Bank of China

Company Website

<http://www.noblehouserestaurant.cn>

GEM Stock Code

8246

Financial Highlights

- The Group's revenue amounted to approximately RMB37.5 million for the six months ended 30 June 2014 which represented a decrease of approximately RMB12.2 million or 24.5% as compared with the six months ended 30 June 2013.
- The loss and total comprehensive expense attributable to owners of the Company was approximately RMB13.5 million for the six months ended 30 June 2014 and approximately RMB13.9 million for the six months ended 30 June 2013.
- Basic loss per share for the six months ended 30 June 2014 amounted to RMB4.8 cents (Basic loss per share for the six months ended 30 June 2013: RMB5 cents).

	Six months ended		Increase/ (Decrease)
	2014	2013	
	RMB (in million)	RMB (in million)	
Revenue	37.5	49.7	(24.5%)
Operating Profit ⁽¹⁾	22.7	30.1	(24.6%)
Loss and total comprehensive expense attributable to the owners of the Company	13.5	13.9	(2.9%)
Operating margin ⁽²⁾	60.5%	60.6%	

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

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 17, which comprises the condensed consolidated statement of financial position as of 30 June 2014 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 three-month periods ended 30 June 2014 and 2013 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

12 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	NOTES	Three months ended		Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Revenue	4	18,229	21,373	37,538	49,721
Other income	5	338	208	351	432
Other gains and losses	6	(2,252)	–	(2,252)	–
Cost of inventories consumed		(7,301)	(8,229)	(14,817)	(19,655)
Staff cost		(6,405)	(8,165)	(13,344)	(17,139)
Depreciation of property, plant and equipment		(1,287)	(468)	(2,037)	(1,023)
Utilities and consumables		(952)	(1,606)	(1,977)	(2,614)
Rental and related expenses		(4,428)	(5,161)	(9,502)	(10,984)
Advertising and marketing expenses		(148)	(19)	(294)	(934)
Other expenses		(2,544)	(3,305)	(5,058)	(6,494)
Impairment loss recognised on inventory		(826)	–	(826)	–
Impairment loss recognised in respect of interest in an associate		–	(276)	–	(276)
Impairment loss recognised in respect of amount due from an associate		(1,906)	(3,919)	(1,906)	(3,919)
Write off of property, plant and equipment		–	(340)	–	(340)
Share of results of associates		369	(757)	(343)	(940)
Loss before tax		(9,113)	(10,664)	(14,467)	(14,165)
Income tax expense	7	(13)	(36)	(55)	(93)
Loss and total comprehensive expense for the period		(9,126)	(10,700)	(14,522)	(14,258)
Loss and total comprehensive expense attributable to the owners of the Company		(8,429)	(10,288)	(13,516)	(13,878)
Non controlling interests – Loss and total comprehensive expense for the period		(697)	(412)	(1,006)	(380)
		(9,126)	(10,700)	(14,522)	(14,258)
Loss per share (RMB), basic	8	(0.030)	(0.037)	(0.048)	(0.050)

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	12,655	14,624
Goodwill		–	–
Rental deposits		2,920	2,150
Interests in associates	11	–	343
Amounts due from associates	12	–	1,405
		15,575	18,522
Current assets			
Inventories		8,312	11,221
Trade and other receivables	13	7,461	12,607
Bank balances and cash		14,485	20,730
		30,258	44,558
Current liabilities			
Trade and other payables	14	14,877	15,602
Prepayment from customers		19,908	21,877
Tax liabilities		4,040	4,071
		38,825	41,550
Net current (liabilities) assets		(8,567)	3,008
Total assets less current liabilities		7,008	21,530
Capital and reserves			
Share capital	15	2,291	2,291
Reserves		6,624	20,140
Equity attributable to owners of the Company		8,915	22,431
Non-controlling interests		(1,907)	(901)
		7,008	21,530

The condensed consolidated financial statements on pages 5 to 17 were approved and authorised for issue by the Board of Directors on 12 August 2014 and are signed on its behalf by:

 DIRECTOR

 DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company				Total	Non-controlling interests	Total
	Share Capital	Share premium	Accumulated profits	Special reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2014 (audited)	2,291	31,076	(11,464)	528	22,431	(901)	21,530
Loss and total comprehensive expense recognised for the period	–	–	(13,516)	–	(13,516)	(1,006)	(14,522)
At 30 June 2014 (unaudited)	2,291	31,076	(24,980)	528	8,915	(1,907)	7,008

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(6,141)	(9,537)
Income tax paid	(86)	(347)
Net cash used in operating activities	(6,227)	(9,884)
INVESTING ACTIVITIES		
Advance to associates	(182)	(2,390)
Purchase of property, plant and equipment	(68)	(2,432)
Proceeds from disposal of an associate	200	–
Other investing activities items	32	183
Refund of deposit for acquisition of property, plant and equipment	–	2,500
Net cash used in investing activities	(18)	(2,139)
Decrease in cash and cash equivalents	(6,245)	(12,023)
Cash and cash equivalents at beginning of the period	20,730	22,901
Cash and cash equivalents at end of the period, represented by bank balances and cash	14,485	10,878

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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. Basis of Preparation of Condensed Consolidated Financial Statements

The condensed consolidated financial statements have been prepared on a going concern basis. While recognising that the Group incurred a loss for the period ended 30 June 2014 of approximately RMB14,522,000 and had net current liabilities of approximately RMB8,567,000 as at 30 June 2014, the management is satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future as the Group’s current liabilities include prepayment from customers amounting RMB19,908,000 which would not require any cash outflow for its settlement, and taken into consideration of the internal cashflow generated from its operations. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. 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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board that are relevant for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the above 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.

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

IFRSs

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle ³
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle ¹
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
IFRS 9	Financial Instruments ²
IFRS 14	Regulatory Deferral Accounts ⁴
IFRS 15	Revenue from Contracts with Customers ⁶

3. Principal Accounting Policies *(Continued)*

- ¹ Effective for annual periods beginning on or after 1 July 2014
- ² Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
- ³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- ⁴ Effective for first annual IFRS financial statements beginning on or after 1 January 2016
- ⁵ Effective for annual periods beginning on or after 1 January 2016
- ⁶ Effective for annual periods beginning on or after 1 January 2017

4. 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 2014

	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	30,983	5,374	1,012	169	37,538	-	37,538
Inter-segment management service fee and sales of processed food	4,291	-	-	-	4,291	(4,291)	-
Total	35,274	5,374	1,012	169	41,829	(4,291)	37,538
RESULT							
Segment result	(6,197)	(1,847)	(529)	(1,351)	(9,924)		(9,924)
Unallocated corporate expenses							(1,818)
Write off of other receivables							(676)
Gain on disposal of an associate							200
Impairment loss recognised in respect of amounts due from associates							(1,906)
Share of results of associates							(343)
Loss before tax							(14,467)

4. Segment Information *(Continued)*

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 amounts due from associates							(3,919)
Share of results of associates							(940)
Loss before tax							(14,165)

5. Other Income

	Three months ended		Six months ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Interest income	20	94	32	183
Imputed interest income on advances granted to associates	318	114	319	249
	338	208	351	432

6. Other Gains and Losses

	Three months ended		Six months ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Allowance for doubtful debts	1,774	–	1,774	–
Gain on disposal of an associate	(200)	–	(200)	–
Write off of other receivables	676	–	676	–
Others	2	–	2	–
	2,252	–	2,252	–

7. Income Tax Expense

	Three months ended		Six months ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Enterprise income tax in the PRC				
Current tax	13	36	55	93

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong Profits Tax has been made as the Group's subsidiaries which operating in Hong Kong have incurred tax losses for both periods.

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 2014 and 2013.

8. Loss Per Share

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

	Three months ended		Six months ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(8,429)	(10,288)	(13,516)	(13,878)
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 per share has been presented for both periods as the Company has no potential ordinary shares outstanding during both periods.

9. Dividends

No dividends were paid, declared or proposed during the six months ended 30 June 2014 and 30 June 2013. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2014 and 30 June 2013.

10. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment amounting to approximately RMB68,000 (six months ended 30 June 2013: approximately RMB2,432,000) for the purpose of the Group's operation. During the period ended 30 June 2014, the Group did not write off any property, plant and equipment (six months ended 30 June 2013: RMB340,000).

11. Interests in Associates

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Cost of unlisted investments in associates	400	600
Deemed capital contribution (note)	1,673	2,350
Share of post-acquisition losses	(2,073)	(2,607)
	-	343

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

On 28 June 2014, the Group entered into a sale agreement to dispose of its 20% equity interest in Bin Jiang Noble House Food and Beverage Co., Ltd. ("Bin Jiang Noble House") to an independent third party for cash proceeds of RMB200,000. Before the disposal, the Group owned 20% interest in Bin Jiang Noble House and the investment was previously accounted for as an investment in an associate using the equity method of accounting. The Group does not retain any interest in Bin Jiang Noble House after the disposal. This transaction has resulted in the Group recognising a gain of RMB200,000 in profit or loss, calculated as follows:

	RMB'000
Cash proceeds	200
Less:	
Cost of unlisted investment in an associate	(200)
Deemed capital contribution	(677)
Share of post-acquisition losses	877
Gain recognised in profit or loss (Included in other gains and losses)	200

12. Amounts Due From Associates

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Dong Hai Noble House – non-trade (note (a))	7,046	6,651
Bin Jiang Noble House Food – non-trade (note (b))	3,572	3,466
Less: Impairment loss recognised (note (c))	(10,618)	(8,712)
	–	1,405

Notes:

- (a) As at 30 June 2014 and 31 December 2013, 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% (2013: 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 2014 and 31 December 2013, 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% (2013: 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 RMB1,906,000 was recognised in profit or loss (six months ended 30 June 2013: RMB3,919,000) for the six months ended 30 June 2014.

13. Trade and Other Receivables

Generally, there was no credit period for sales from operation of restaurants and stores for processed food and seafood, 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 dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables:		
0 – 30 days	983	2,434
31 – 60 days	479	1,370
61 – 90 days	294	1,420
91 – 120 days	150	158
121 – 150 days	192	1
151 – 180 days	278	473
Over 180 days	2,862	3,659
Less: allowance for doubtful debts	(2,281)	(502)
	2,957	9,013
Other receivables and deposits:		
Prepayments to suppliers	1,321	1,059
Payment on behalf of restaurants managed or serviced by the group	465	315
Other deposits	1,225	1,561
Others	1,808	984
Less: allowance for doubtful debts for other receivables	(315)	(325)
	4,504	3,594
	7,461	12,607

14. Trade and Other Payables

The following is an ageing analysis of the Group's trade payables based on invoice date.

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade payables:		
0 – 30 days	1,310	3,058
31 – 60 days	811	1,344
61 – 90 days	1,282	1,490
91 – 180 days	393	488
Over 180 days	1,392	423
	5,188	6,803
Other payables:		
Accruals	3,583	3,790
Other payables	6,106	5,009
	9,689	8,799
	14,877	15,602

15. Share Capital

	Number of shares '000	Share capital HK\$'000
Authorised		
At 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014		
– Ordinary shares of HK\$0.01 each	8,000,000	80,000
Issued and fully paid		
At 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014		
– Ordinary shares of HK\$0.01 each	280,000	2,800
Shown on the condensed consolidated statement of financial position	RMB2,291,000	RMB2,291,000

16. Capital Commitments

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements		
– capital expenditure in respect of acquisition of plant and machinery	–	103

17. Related Party Transactions

During the period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Dong Hai Noble House	Sales of processed food	159	224
	Handling fee income on VIP cards	25	29
Bin Jiang Noble House	Sales of processed food	–	118
	Management fee income	–	250
	Handling fee income on VIP cards	–	8

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

As at 30 June 2014, 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 one restaurant in Dalian. We also operated restaurants in Ningbo and Shanghai, which are associates of the Group. In June 2014, the Group sold out all interest held in the associate in Shanghai, named Bin Jiang Noble House Food and Beverage Co., Ltd to an independent third party. Apart from these restaurants, we operated a food trading company, named "Noble House Food Trading Company Limited", which was primarily established to provide food production services to the Group's restaurants. In addition, the food trading company engaged in the trading of seafood and 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, retail shops and a local supermarket in Hong Kong and Shanghai.

For the six months ended 30 June 2014, the Group recorded an unaudited turnover of approximately RMB37,538,000, showing a decrease of 24.5% from approximately RMB49,721,000 for the corresponding period of the previous year. The decrease in revenue was mainly attributable to the decrease in revenue generated from operation of restaurants by approximately RMB8,854,000 due to the effect from the deterioration of high-end consumption market in the PRC. Such deterioration also adversely affected revenue generated from the provision of management services since loss was also recorded for restaurant that we provided services to.

Revenue from operation of restaurants for the period ended 30 June 2014 was approximately RMB35,428,000, showing a decrease of 20.0% from approximately RMB44,283,000 for the corresponding period of the previous year; meanwhile, revenue generated from the provision of management services also decreased from RMB728,000 for the three months ended 30 June 2013 to RMB26,000 for the same period in 2014.

During the first six months of 2014, sales of processed goods registered a significant decrease by approximately RMB2,626,000 from approximately RMB4,710,000 in the first six months of 2013 to approximately RMB2,084,000 for the corresponding period of the current year. The sales was derived from the food trading company and it processed 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 decrease was mainly due to renovation works of the local supermarket selling our processed goods since September 2013 and relocation of our store from 1st floor to basement with lower the customer flow. Hence, sales of processed goods decreased significantly in current period.

Gross profit margin

Gross profit represents the revenue less cost of inventories consumed. The gross profit margin of the Group remained stable at approximately 60.6% for the six months ended 30 June 2013 and approximately 60.5% for the six months ended 30 June 2014, since the effect of PRC inflation was offset by the implementation of cost control policies by the Group such as controlled raw material wastes when making dishes and negotiated with suppliers to lower the food costs.

Cost of inventories consumed

The Group's cost of inventories consumed decreased by approximately RMB4,838,000, or by approximately 24.6%, from approximately RMB19,655,000 in the first six months of 2013 to approximately RMB14,817,000 in the first six months of 2014. This decrease was mainly due to decrease in revenue and implementation of cost control policies by the Group.

Other gains or losses

The Group recorded other losses of approximately RMB2,252,000, which mainly included impairment on trade receivables aged over 180 days amounted to RMB1,774,000 and written down on other receivables amounted to RMB676,000. The other losses were partly off set by gain on disposal of the associate in Shanghai amounted to RMB 200,000, which was disposed by the Group in June 2014.

Staff cost

The Group's staff cost decreased by approximately RMB3,795,000, or by approximately 22.1%, from approximately RMB17,139,000 in the first six months of 2013 to approximately RMB13,344,000 in the same period of 2014. The decreased in the staff cost was primarily due to the decrease in the number of staff of the Group under the cost control policies. The Group's headcount decrease from 680 as at 30 June 2013 to 340 as at 30 June 2014. As a percentage of the Group's revenue, staff cost slightly increased from approximately 34.5% in 2013's first six months to approximately 35.5% in 2014's same period primarily as a result of the decrease in revenue for the six months ended 30 June 2014.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately RMB1,014,000, or approximately by 99.1%, from approximately RMB1,023,000 in the first six months of 2013 to approximately RMB2,037,000 in the same period of 2014. The increase was mainly due to recognition of half year depreciation on leasehold improvements of Beijing restaurant that renovation works were finished in July 2013.

Utilities and consumables

Utilities and consumables decreased by approximately RMB637,000, or approximately 24.4%, from approximately RMB2,614,000 in 2013's interim period to approximately RMB1,977,000 in 2014's interim period. As a percentage of revenue, utilities and consumables remained stable at approximately 5.3% in 2013's first half and 2014's first half, since the effect of decreased in revenue was offset by the cost control policies of the Group.

Rental and related expenses

Rental and related expenses decreased by approximately RMB1,482,000, or approximately by 13.5%, from approximately RMB10,984,000 in 2013's first six months to approximately RMB9,502,000 in 2014's first six months, which was mainly due to the decrease in rental fee of certain rental agreements renewed in 2014.

Advertising and marketing expenses

Advertising and marketing expenses amounted to approximately RMB294,000 and RMB934,000 in 2014's first half and 2013's first half respectively, the significant decrease was mainly because of the decrease in the Group's overall advertising activities in the current six months as compared to the same period in 2013 in view of the implementation of cost control policies and recent market environment.

Other expenses

Other expenses decrease by approximately RMB1,436,000, or approximately 22.1%, from approximately RMB6,494,000 for the six months ended 30 June 2013 to approximately RMB5,058,000 for the corresponding period of 2014, primarily due to the decreased credit card handling charges, travelling and transportation cost, and the implementation of cost control policies in view of the decrease in revenue.

Income tax expenses

The Group's income tax expense decreased by approximately RMB38,000, or approximately 40.9%, from approximately RMB93,000 for the six months ended 30 June 2013 to approximately RMB55,000 for the six months ended 30 June 2014, as a result of the decrease in taxable profit in 2014's first six-months period as compared to the corresponding period of the previous year. For the first six-months period in 2014, RMB55,000 income tax expenses were charged upon the loss before tax amounting to RMB14,467,000 due to the assessable profit generated by certain subsidiaries of the Group.

Non-controlling interests

Non-controlling interests increased by RMB626,000 from approximately RMB380,000 and RMB1,006,000 being share of the Group's loss in the six months ended 30 June 2013 and in the corresponding period of 2014. Such increase was attributable to the increase in the operating loss made by the non-wholly-owned subsidiaries in Beijing and Qingdao during the review period.

Prospects

Affected by the structural changes of the domestic consumption due to the strategic slowdown of China's economic growth, and the government policies introduced to promote frugality, restrict government spending on dining, overseas travels and cars, "banquet ban" for Chinese military, and other negative factors, the traditional consumption habits and patterns of high-end dining consumer changed rapidly. As a result, the development of high-end dining industry is still in a phase of adjustment and the operating environment can be expected to remain difficult in the coming years. The management remains prudent in expansion of new restaurants in PRC and will not open any new restaurants in 2014. And we will further increase the source of income from food trading business by cooperating with PRC and Hong Kong larger wholesalers, providing more type of catering services or expanding our production capacities and the range of food products to be produced.

On the other hand, the management still have confidence in food trading business in Hong Kong and will put more resources in developing food trading business network. We will join some international Food Fairs in Asia Pacific countries in order to promote our processed goods under Group's own brand name "Noble House (名軒)" and attract international trade buyers. In addition, the Group will continue to implement effective cost control policies in order to save cost.

In the foreseeable future, the Group will continue the operation of restaurants in PRC and expand the market in food trading business in PRC and Hong Kong. In the meantime, we will also continue to implement cost control policies to overcome the existing challenging market situation of high-end catering industry.

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 RMB14,485,000 as at 30 June 2014 (as at 31 December 2013: approximately RMB20,730,000). The net assets of the Group as at 30 June 2014 were approximately RMB7,008,000 (as at 31 December 2013: approximately RMB21,530,000).

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 2013 and 30 June 2014 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 2014, the Directors considered the Group's foreign exchange risk to be insignificant. During the six months ended 30 June 2014, 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 2014. 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.

Statement of financial position of an associate

As at 30 June 2014, the Group had an associate, namely Dong Hai Noble House Food and Beverage Co., Ltd.. The statement of financial position of the associate (with attributable interest of the Group in the associate) as at the latest applicable date (i.e. 30 June 2014) is set out below:

	Statement of financial position RMB'000	Group's attributable interest RMB'000
Non-current assets	8,715	3,486
Current assets	5,570	2,228
Current liabilities	(22,512)	(9,005)
	(8,227)	(3,291)
Share capital	1,000	400
Reserve	(9,227)	(3,691)
	(8,227)	(3,291)

OTHER INFORMATION

Audit Committee

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

The current Audit Committee comprises the three independent non-executive Directors, namely Mr. Tse Wai Chuen, Tony, Mr. Wang Zhi Zhong and Mr. Yeung Chi Wai. The chairman of the Audit Committee is Mr. Yeung Chi Wai. The Group's interim report and results announcement for the six months ended 30 June 2014 has been reviewed by the Audit Committee, which was of the opinion that such reports 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 2014.

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 an effective internal control system in place, including the engagement of a professional accounting firm to conduct internal audit, to perform check and balance functions.

Save as 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 2014.

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 2014.

Contingent Liabilities

As at 30 June 2014, the Group did not have any material contingent liabilities.

Charge on Group Assets

As at 30 June 2014, the Company did not pledge any assets at the end of the reporting period.

Details of future plans for material investment or capital assets

The Group does not have any plan for material investment or capital assets.

Employment and Remuneration of Employees

As at 30 June 2014, the Group had approximately 340 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 2014.

Directors' and Chief Executives' Interests in securities

As at 30 June 2014, 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	126,000,000 (L)	45%
Mr. Cheung Chi Keung	2	Interest of controlled corporation	126,000,000 (L)	45%

Notes:

- Mr. Chan Tai Neng is deemed to be interested in 126,000,000 Shares held by Blossom Merit Limited under the SFO.
- Mr. Cheung Chi Keung is deemed to be interested in 126,000,000 Share held by Blossom Merit Limited under the SFO.

During the six months ended 30 June 2014, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 June 2014, 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 2014, 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	126,000,000 (L)	45%
Uprise Global Investment Limited	Interest of controlled corporation	56,000,000 (L)	20%

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 2014.

During the six months ended 30 June 2014, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 30 June 2014, 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 2014, 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, 12 August 2014

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