



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

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

INTERIM REPORT
FOR THE PERIOD ENDED
30 SEPTEMBER 2014

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 SIX MONTHS ENDED 30
SEPTEMBER 2014**

Consolidated turnover was HK\$250.6 million for the period under review, representing an increase of 28% compared with HK\$196.3 million recorded in the corresponding period last year.

Loss attributable to owners of the Company increased to HK\$13.9 million from HK\$4.6 million.

INTERIM RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the period ended 30 September 2014, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2014

	Note	For the six months ended 30 September		For the three months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	2	250,565	196,268	129,764	103,538
Cost of sales		(78,438)	(62,331)	(40,483)	(32,839)
Gross profit		172,127	133,937	89,281	70,699
Other income		740	1,089	392	543
Operating expenses		(181,804)	(135,512)	(92,307)	(71,291)
Operating loss		(8,937)	(486)	(2,634)	(49)
Finance costs	3(a)	(3,904)	(3,246)	(1,974)	(1,659)
Loss before income tax	3	(12,841)	(3,732)	(4,608)	(1,708)
Income tax expense	4	(1,412)	(758)	(1,058)	(479)
Loss for the period		(14,253)	(4,490)	(5,666)	(2,187)
Loss for the period attributable to:					
Owners of the Company		(13,890)	(4,602)	(5,545)	(2,288)
Non-controlling interests		(363)	112	(121)	101
		(14,253)	(4,490)	(5,666)	(2,187)
Loss per share (HK cents)	5				
– Basic		(0.62)	(0.21)	(0.25)	(0.10)
– Diluted		N/A	N/A	N/A	N/A

	For the six months ended 30 September		For the three months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loss for the period	(14,253)	(4,490)	(5,666)	(2,187)
Other comprehensive loss for the period, net of tax:-				
Items that may be subsequently reclassified to profit or loss:-				
Exchange gain/(loss) arising from translation of financial statements of foreign operations	<u>154</u>	<u>(158)</u>	<u>178</u>	<u>10</u>
Total comprehensive loss for the period	(14,099)	(4,648)	(5,488)	(2,177)
Total comprehensive loss for the period attributable to:-				
Owners of the Company	<u>(13,736)</u>	<u>(4,760)</u>	<u>(5,367)</u>	<u>(2,278)</u>
Non-controlling interests	<u>(363)</u>	<u>112</u>	<u>(121)</u>	<u>101</u>
	(14,099)	(4,648)	(5,488)	(2,177)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 31 March 2014 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Plant and equipment	66,736	62,220
Goodwill on consolidation	60,031	60,031
Other intangible assets	27,430	27,446
Deferred tax assets	10,535	9,092
	<u>164,732</u>	<u>158,789</u>
CURRENT ASSETS		
Inventories	6,161	5,281
Debtors, deposits and prepayments	50,363	49,586
Income tax recoverable	120	467
Pledged bank deposit	–	614
Cash and cash equivalents	41,371	27,233
	<u>98,015</u>	<u>83,181</u>
DEDUCT:		
CURRENT LIABILITIES		
Convertible bonds	79,151	–
Loan from a director	63,500	44,500
Obligations under finance lease	752	741
Bank loans, secured	20,015	19,788
Creditors, accruals and deposits received	65,656	56,996
Income tax payable	2,912	718
	<u>231,986</u>	<u>122,743</u>
NET CURRENT LIABILITIES	<u>(133,971)</u>	<u>(39,562)</u>

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
<i>Note</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	30,761	119,227
NON-CURRENT LIABILITIES		
Convertible bonds	–	78,682
Deferred tax liabilities	3,738	3,144
Other payables	2,732	4,653
Obligations under finance lease	321	698
Bank loans, secured	5,958	–
	12,749	87,177
NET ASSETS	18,012	32,050
REPRESENTING:		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	22,430	22,430
Reserves	(4,980)	8,793
	17,450	31,223
Non-controlling interests	562	827
TOTAL EQUITY	18,012	32,050

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2014

	Attributable to owners of the Company										
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Employee share-based compensation reserve	Convertible bonds equity reserve	Other reserve	Total	Non-controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1.4.2013 (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	-	-	-	-	-	345	-	-	345	-	345
Comprehensive loss											
Loss for the period	-	(4,602)	-	-	-	-	-	-	(4,602)	112	(4,490)
Other comprehensive loss:-											
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(158)	-	-	-	(158)	-	(158)
Total comprehensive loss for the period	-	(4,602)	-	-	(158)	-	-	-	(4,760)	112	(4,648)
At 30.9.2013 (unaudited)	<u>22,430</u>	<u>(111,326)</u>	<u>135,200</u>	<u>3,801</u>	<u>(54)</u>	<u>1,634</u>	<u>2,521</u>	<u>-</u>	<u>54,206</u>	<u>1,492</u>	<u>55,698</u>
At 1.4.2014 (audited)	22,430	(134,287)	135,200	3,801	(187)	1,820	2,521	(75)	31,223	827	32,050
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(183)	(183)	98	(85)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	146	-	-	146	-	146
Share option lapsed	-	46	-	-	-	(46)	-	-	-	-	-
Comprehensive loss											
Loss for the period	-	(13,890)	-	-	-	-	-	-	(13,890)	(363)	(14,253)
Other comprehensive loss:-											
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	154	-	-	-	154	-	154
Total comprehensive loss for the period	-	(13,890)	-	-	154	-	-	-	(13,736)	(363)	(14,099)
At 30.9.2014 (unaudited)	<u>22,430</u>	<u>(148,131)</u>	<u>135,200</u>	<u>3,801</u>	<u>(33)</u>	<u>1,920</u>	<u>2,521</u>	<u>(258)</u>	<u>17,450</u>	<u>562</u>	<u>18,012</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	9,888	1,669
NET CASH USED IN INVESTING ACTIVITIES	(20,751)	(21,085)
NET CASH FROM FINANCING ACTIVITIES	24,819	16,743
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,956	(2,673)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	27,233	34,012
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	182	137
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	41,371	31,476

ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 30 September 2013 (Unaudited) <i>HK\$'000</i>
Cash and bank balances	41,371	31,476

Notes:

1. BASIS OF PREPARATION

These unaudited consolidated interim 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 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 interim results are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2014.

2. TURNOVER

Turnover represents revenue recognized in respect of provision of food and beverage services, net of discounts and business tax, during the period. An analysis of the turnover recorded for the period is set out below:

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of food and beverage services	250,565	196,268

3. LOSS BEFORE INCOME TAX

	For the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:		
(a) Finance costs:		
Interests on bank loans and overdrafts repayable within five years	362	841
Interest expense on convertible bonds	802	802
Imputed interest expense on convertible bonds	469	454
Other bank charges	2,271	1,149
	3,904	3,246
(b) Other items:		
Amortization of other intangible assets	384	340
Depreciation	16,367	10,063

4. INCOME TAX

Taxation in the profit or loss represents:

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	2,337	2,219
Deferred tax	(925)	(1,461)
	<u>1,412</u>	<u>758</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 BVI.
- (ii) The Company's subsidiaries incorporated/established in Hong Kong, the People's Republic of China ("PRC"), Taiwan and Japan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax, Taiwan Profit-Seeking-Enterprise Income Tax and Japan Corporate Income Tax at the rates of 16.5%, 25%, 17% and 15% respectively (2013: Hong Kong – 16.5%, PRC – 25%, Taiwan – 17% and Japan – N/A respectively).

5. LOSS PER SHARE

The calculation of basic loss per share for all periods presented is based on the Group's loss attributable to owners of the Company and 2,242,950,000 ordinary shares in issue during all periods.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 September 2013 and 2014.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
Trade debtors	7,796	8,134
Rental and utility deposits	39,014	36,493
Prepayments	3,252	4,604
Other debtors	301	355
	<u>50,363</u>	<u>49,586</u>

(a) **Aging analysis**

The trading terms with the Group's customers are mainly on cash and credit card settlements, except for well established corporate customers who entitled credit term of 30-60 days. For credit card settlements, the banks normally settle the balances within 2-3 days. The following was an aging analysis of trade debtors, which included outstanding balances for credit card settlements, (net of allowance for doubtful debts) at the end of reporting period:

	At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 31 March 2014 (Audited) <i>HK\$'000</i>
0 – 30 days	7,082	7,274
31 – 60 days	472	489
61 – 90 days	13	9
91 – 180 days	2	25
181 – 365 days	227	337
	<u>7,796</u>	<u>8,134</u>

(b) **Trade debtors that are not impaired**

The aging analysis of trade debtors that were not considered to be impaired was as follows:

	At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 31 March 2014 (Audited) <i>HK\$'000</i>
Neither past due nor impaired	<u>6,382</u>	<u>7,037</u>
Past due but not impaired:		
1 – 30 days	700	691
31 – 60 days	472	35
61 – 90 days	13	9
91 – 180 days	2	20
181 – 365 days	227	342
	<u>1,414</u>	<u>1,097</u>
	<u>7,796</u>	<u>8,134</u>

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

7. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 31 March 2014 (Audited) <i>HK\$'000</i>
Trade creditors	26,280	27,157
Accruals and provisions	36,036	25,928
Other creditors	6,072	8,564
	<u>68,388</u>	<u>61,649</u>
Less: Classified in non-current liabilities	<u>(2,732)</u>	<u>(4,653)</u>
Classified in current liabilities	<u>65,656</u>	<u>56,996</u>

The following is an aging analysis of trade creditors:

	At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 31 March 2014 (Audited) <i>HK\$'000</i>
0 – 30 days	21,414	21,643
31 – 60 days	3,098	4,706
61 – 90 days	929	658
91 – 180 days	332	101
Over 180 days	507	49
	<u>26,280</u>	<u>27,157</u>

8. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following related party and connected transactions under the GEM Listing Rules during the period:

Except for loan from a director, the Group had the following material transactions with its related parties in which certain Directors of the Company have controlling interest under the GEM Listing Rules during the period:

	<i>Note</i>	For the six months ended 30 September	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Rental expense to Epicurean Management Limited #	<i>(a)</i>	–	120
(ii) Interest expense on convertible bonds to Strong Venture Limited #	<i>(b)</i>	802	802
(iii) Rental expenses to Joint Allied Limited (“Joint Allied”) ##	<i>(c)</i>	686	596
(iv) Rental expenses to Assets Partner Limited (“Assets Partner”) ##	<i>(c)</i>	936	–
(v) Rental expenses to Jebson Development Limited (“Jebson Development”) ##	<i>(c)</i>	228	–
		<u>228</u>	<u>–</u>

Mr. Tang Sing Ming Sherman (“Mr. Tang”), an executive Director of the Company, has controlling interest.

Joint Allied, Assets Partner and Jebson Development are owned by a family trust in which Mr. Tang is one of the beneficiaries.

Notes:

- (a) The amounts were predetermined by both parties.
- (b) The interest rate was determined at 2% per annum as set out in the subscription agreement dated 15 August 2012.
- (c) The transaction was entered based on the normal commercial terms.

The Directors have reviewed the above related party and connected transactions and are of the opinion that these transactions were effected: (i) on normal commercial terms (or better to the Group); (ii) in the ordinary course of the business of the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Key management compensation

	For the six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees for key management personnel	180	180
Salaries, allowances and other benefits in kind	2,436	3,500
Retirement scheme contributions	51	71
Equity-settled share-based payment expenses	113	345
	2,780	4,096

9. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly review by the chief operating decision maker (the board of directors) in order to allocate resources to the segment and to assess its performance.

The Group operates in one business unit, and has one reportable and operating segment: food and beverage. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited turnover for the interim period ended 30 September 2014 amounted to HK\$250.6 million (2013: HK\$196.3 million), representing an increase of 28% compared with the same period of the last financial year. Net loss attributable to owners of the Company increased by HK\$9.3 million, to HK\$13.9 million.

Industry Overview

In 2014, economic growth in Hong Kong weakened as expected which is mainly due to softening of domestic consumption. We saw an adverse wealth effect stemming from falling equity and house prices. So sales in the retail sector were disappointing. Tourism, another important pillar of our economy, signals a slowdown. Growth in tourist arrivals from Mainland China moderated. At the same time, spending power of Mainland tourists declined, especially in big-ticket items like jewelry and watches. As a result of the fall in key economic indicators, economists have become more cautious in their forecast and many have revised their GDP growth rate of the year.

During the period, the Hong Kong retail sector has been beset by various challenges, including the moderating economic growth in the PRC, the campaign against extravagant spending by the central government of China and the change in spending behavior of mainland tourists. The declining retail sector has an adverse effect on rents in the prime street level. However, rents in shopping malls, where most of our stores located, do not signal any significant downward adjustment. Landlords continue to retain a strong bargaining power. We, as lessee, have to deliver strong operational capability and maintain our creativity in order to impress the landlord in such a highly competitive leasing landscape.

Competition in the Hong Kong food and beverage ("F&B") industry is always intense. Apart from rent, we continue to feel the pressure on rising price of key expenses in our business, such as raw materials, manpower and utilities. In response to these challenges, we have continued to refine crucial areas in our operations to stay in touch with the latest trends and demands in the market.

Business Review

During this interim period, the Group has continued to apply multi-brand strategy to drive its business growth and achieve further market penetration in focused market segments. The Group's turnover marked a growth of 28%, from HK\$196.3 million in the interim period ended 30 September 2013 to HK\$250.6 million in the corresponding period this year, which is mainly attributable to the enriched dining concepts, expanded store network and increased customer traffic. In terms of earnings, net loss attributable to owners of the Company widened by HK\$9.3 million, to HK\$13.9 million. This is mainly due to expiration of tenancy of some key stores while revenue of new stores is yet to catch up, increase in operating expenses and investments in network expansion. Admittedly, the performance was not satisfactory, but we believe that our persistence will pay off as we evolve.

The restaurants, café and cake shops concept is on a path to stable growth. As the concept is an iconic brand in Hong Kong, our strategy is to reinforce our market positioning in Hong Kong to achieve a consistent growth while diligently seeking for business expansion in under-penetrated markets, especially in the Mainland China. We believe innovation is key to success, so we expect some truly innovative products to impress our customers. During the period, a new product line, "Cake Petit", cup cakes composite of tender and moist chiffon cakes outside and creamy custard inside was launched. The new innovation has been warmly accepted by the market. Apart from regular expansion of menu with new products, we also celebrated with our customers with seasonal specials. For example, "Sakura Sweet Fair" and "Mid-autumn Specials" were launched during the festivals. Once again, these products have received strong customer response and lifted sales. Connections with customers have always been core to the brand. With this in mind, we continue to strengthen our platform in customer relations by leveraging a combination of social and digital media and our online membership system, "Tomato Club Member Zone". The lately launched membership system provides an alternative channel for our customer to access to the latest news in our stores. As at the date of this interim report, the number of members already exceeded 14,000. In Mainland China and Taiwan, the performance of this concept has lagged behind the Hong Kong stores. We do see room for improvement in various fronts, including our ability in the areas of operation efficiency, cost control and production infrastructure. We believe the enhancement in these capabilities will help us drive our growth going forward.

The Japanese tonkatsu brand continues to contribute to the Group with income though setbacks were observed during the period mainly due to closing down of two stores upon lease expiry. We believe the impact will be temporary as we are working hard to identify new store locations for this brand. In Shanghai, the revenue of the first store in PRC remained strong. However, sales of the two lately introduced stores have underperformed mainly due to insufficient flow of traffic in the region they located. Admittedly, the pickup of customer flow in the area takes longer than we expected, but we remain optimistic that the business will turn around eventually.

Our another major revenue contributor, Taiwanese beef noodle concept, has delivered to the Group with strong income. In less than two years time, this brand has become one of the biggest Taiwanese dining chains in Hong Kong. As of the date of this interim report, the total number of stores reached five. As a testament to our success in this concept, one of our stores was rated as recommended restaurant in the best-known international food guide in 2014. This has further enhanced our brand recognition in the region and boosted sales. People lined up outside the door to experience the brand. While we are proud of our achievements, we have learned never to take our success for granted, which is why we are committed to using fresh ingredients and materials to maintain a high level of quality in our food product despite under the pressure of rising food costs. Upcoming, we will sharpen our ability in different areas to further optimize our profit margin while continuing to seek for opportunities to expand our presence in different markets.

Another business initiative that we have achieved during the interim period is brand licensing and management. To embark into this licence-led business category, we first test our initiative for brand licensing with the Japanese curry specialty concept by entering into a licence agreement with a business partner in Shanghai. The first licenced store will be opened in a few months time. After the reporting period, another licence agreement has also been concluded. In the past few quarters, we have been continuously received enquiries from investors who are passionate about our brands. We will closely monitor the development of this new initiative and cautiously extend to other concepts in our portfolio.

In late 2013, our izakaya concept store unveiled. Currently, we operate two stores, one in each of Hong Kong and Shanghai. Sales of Hong Kong store have been satisfactory. However, for the Shanghai store, it takes time for the market to accept the new dining concept. We will continue to make changes in our menu to reflect regional custom and cultures so that we will be locally relevant. We think we are on the right path for improvements in both sales and operation.

Meanwhile, sales of our Shanghainese dining concept experienced a mild decline mainly due to the decrease in customer flow after the outbreak of illegal cooking oil incidents in early September 2014. In an effort to build and reinforce positive consumer perceptions about the safety of our food, our ongoing initiatives are to strengthen our supply chain. Moreover, as Shanghainese is a well-developed style of Chinese cuisine in Hong Kong, customers demand for new food options apart from traditional Shanghainese dishes. We will continue to expand our menu to spark customers interest. While we are working hard to refine this concept, we remain optimistic that this brand will bring us a better return in the future.

Apart from the above, other concepts in our portfolio, for example, our Japanese curry and Japanese ramen continued to contribute revenue growth to the Group. As they are young brands in the F&B industry, our focus is to build the brands through marketing, innovation and winning food. Upcoming, we will dedicate ourselves to breakthrough innovations in our products, menu management and advertising.

Future Prospects

We expected the rest of fiscal 2014/2015 will continue to be tough amid a slowing down of economic growth in Hong Kong and PRC. Chinese tourists are seen as a backbone of our tourism and retail industry, and yet China's slowing economy and the PRC government's campaign against extravagant spending has stymied luxury spending in Hong Kong. Furthermore, the recent "Occupy Central Campaign" has hurt the already struggling retail industry. As some of our stores are located near the sites of the Campaign, our business has been impeded. We foresee that the impact will soon be reflected in the next quarter sales data. Despite all these challenges, we hope our strategy of brand and geographic diversification will help us tackle this difficult time.

Though our interim results do not fulfill our standards for performance, we will take this as an opportunity to take a step back and reevaluate in order to strengthen different aspects of the business so that we could be stronger. In the second half of the fiscal year, we will review the performance of each brand so that we could identify our operational deficiencies and try to formulate new approach to improve our business model. We will also consider revamping brands that have persistently underperformed so that we can stay focused on other more efficient concepts. In Hong Kong, our priority will be on reinforcing our operation by disciplined execution of existing stores and we will continue to broaden our store network cautiously. Mainland China is a market with enormous opportunities, so we will increase our penetration levels in this market by expanding to other PRC cities. We will also enhance our operational infrastructure in Shanghai to power our future growth in the PRC. As the F&B industry is highly susceptible to changing consumer tastes, we will adhere to our multi-brand strategy and continue to acquire or develop new concepts when opportunity arrived. We believe that all these moves will help us to grow stronger and better positioned as we go down the road.

Finally, the management team would like to take this opportunity to extend its sincerest thanks to every employee for their continued loyalty, diligence and contribution to the Group.

FINANCIAL REVIEW

For the six months ended 30 September 2014, the Group recorded turnover of HK\$250.6 million (2013: HK\$196.3 million), the turnover increased by 28% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$13.9 million (2013: HK\$4.6 million).

The gross profit margin of the Group was 69% (2013: 68%).

Total operating expenses increased by 34% to HK\$181.8 million (2013: HK\$135.5 million) due to the fact that the Group operated more stores compared with corresponding period last year and pre-operating expenses were incurred for tapping into new markets during the period.

Financial Resources and Liquidity

As at 30 September 2014, the equity attributable to owners of the Company amounted to HK\$17.5 million (at 31 March 2014: HK\$31.2 million). Current assets amounted to HK\$98.0 million (at 31 March 2014: HK\$83.2 million) of which HK\$41.4 million (at 31 March 2014: HK\$27.8 million) was cash and bank deposits, HK\$50.4 million (at 31 March 2014: HK\$49.6 million) was debtors, deposits and prepayment. The Group's current liabilities amounted to HK\$232.0 million (at 31 March 2014: HK\$122.7 million), including creditors, accruals and deposits received in the amount of HK\$65.7 million (at 31 March 2014: HK\$57.0 million) and convertible bonds in the amount of HK\$79.2 million. As at 31 March 2014, the convertible bonds were recorded in non-current liabilities in the amount of HK\$78.7 million.

Current ratio and quick assets ratio were 0.42 and 0.40 respectively (at 31 March 2014: 0.68 and 0.63 respectively). Debt-to-equity ratio, expressed as a ratio of total debts less pledged bank deposit and cash and bank balances to shareholders' funds, was 11.29 (at 31 March 2014: 5.68).

Foreign Exchange

The Group received income from sales in PRC, Taiwan and Japan denominated in Renminbi, Taiwan Dollar and Yen respectively. Fluctuation in exchange rates of Renminbi, Taiwan Dollar and Yen against Hong Kong Dollar could affect the Group's results of operations. During both periods for the six months ended 30 September 2014 and 2013, no hedging transaction or other exchange rate arrangements were made.

Charges on the Group's Assets

Except for the assets pledged as security for obligations under finance lease at 30 September 2014 as well as pledged bank deposit and assets pledged as security for obligations under finance lease at 31 March 2014, no Group's assets which had been pledged or charged as at 30 September 2014 and 31 March 2014.

Capital Commitments

As at 30 September 2014 and 31 March 2014, the Group did not have any material capital commitments.

Contingent Liabilities

As at 30 September 2014 and 31 March 2014, the Group did not have any contingent liabilities.

Save as disclosed above, during the six months ended 30 September 2014 and 2013, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and Remuneration Policies

As at 30 September 2014, the Group had 1,003 employees in Hong Kong, the PRC, Taiwan and Japan (at 31 March 2014: 1,021). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. Other fringe benefits such as medical subsidy, medical insurance, pension fund plans are offered to most employees. Share options are granted at the discretion of the Board under the terms and conditions of the share option schemes adopted on 26 February 2003 and 20 July 2012 (collectively referred to as the "Share Option Schemes").

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

During the six months ended 30 September 2014, 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 30 September 2014, 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 <i>(Note 2)</i>	Beneficiary of a trust	1,673,810,083 <i>(Note 1)</i>	74.63%

Notes:

1. 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”) which 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 aggregate 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.

2. 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.
3. Based on 2,242,950,000 shares of the Company in issue as at 30 September 2014.

(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:

Name	Date of grant	Exercise price per share <i>HK\$</i>	Exercisable period	Approximate percentage of the issued share capital <i>(Note 3)</i>	Number of share options outstanding
Mr. Tang <i>(Note 2)</i>	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.

2. 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 30 September 2014.

(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 by the Company in the principal sum 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.
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 30 September 2014, 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 30 September 2014, 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 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.
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 30 September 2014.

SHARE OPTIONS

As at 30 September 2014, options under Share Option Schemes to subscribe for an aggregate of 67,500,000 shares have been granted to a total of 11 directors and employees of the Group, details as follows:

	Date of grant	Exercisable period	Exercise price per share (Note) HK\$	Outstanding at 1.4.2014	Lapsed during the period	Outstanding at 30.9.2014
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. Bhanusak Asvaintra	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

	Date of grant	Exercisable period	Exercise price per share (Note) HK\$	Outstanding at 1.4.2014	Lapsed during the period	Outstanding at 30.9.2014
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	5,000,000	–	5,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	5,000,000	–	5,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	3,400,000	–	3,400,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	4,500,000	–	4,500,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,600,000	–	5,600,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	6,500,000	(1,000,000)	5,500,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	<u>6,500,000</u>	<u>(1,000,000)</u>	<u>5,500,000</u>
Total of all categories				<u>69,500,000</u>	<u>(2,000,000)</u>	<u>67,500,000</u>

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 and the PRC 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 Elements 圓方桃花源), western restaurants (namely The Peak Lookout, The Peak Lookout Airport, Jimmy's Kitchen, Steik World Meats, Agave, Club 97, Post 97 and E1 Pomposo Shanghai), 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, 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 six months ended 30 September 2014, the audit committee had held two meetings and had reviewed the draft interim report and accounts for the six months ended 30 September 2014 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 2014, 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 six months ended 30 September 2014, 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, 10 November 2014

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

This report will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.