



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

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

**THIRD QUARTERLY REPORT  
FOR THE NINE MONTHS ENDED  
31 DECEMBER 2015**

## **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 NINE MONTHS ENDED  
31 DECEMBER 2015**

Consolidated turnover of the Company and its subsidiaries (collectively the “Group”) was HK\$351.8 million for the period under review, representing a decrease of 7% compared with HK\$376.4 million recorded in the corresponding period last year.

Loss attributable to owners of the Company decreased to HK\$11.3 million from HK\$21.5 million compared with the corresponding period last year.

During the period under review, the Group had disposed of the entire equity interests in (i) Jazzman Holdings Limited and its subsidiaries (collectively the “Jazzman Group”), which was the Group’s overseas operations in Japan; and (ii) Alworth Limited and its subsidiaries (collectively the “Alworth Group”), which was the separate lines of business, under the brand names of Xiao Wang Beef Noodle and Xia Fei. The gains on disposal of which were HK\$880,000 and HK\$10.1 million respectively.

## RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the period ended 31 December 2015, together with the comparative unaudited consolidated figures for the corresponding period last year:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2015

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	2	351,753	376,351	86,833	125,786
Cost of sales		<u>(109,407)</u>	<u>(118,014)</u>	<u>(29,491)</u>	<u>(39,576)</u>
Gross profit		242,346	258,337	57,342	86,210
Other income		13,130	1,412	1,145	672
Operating expenses		<u>(259,673)</u>	<u>(273,568)</u>	<u>(65,838)</u>	<u>(91,764)</u>
Operating loss		(4,197)	(13,819)	(7,351)	(4,882)
Finance costs		<u>(5,087)</u>	<u>(5,798)</u>	<u>(1,099)</u>	<u>(1,894)</u>
Loss before income tax		(9,284)	(19,617)	(8,450)	(6,776)
Income tax expense	3	<u>(2,277)</u>	<u>(2,570)</u>	<u>(94)</u>	<u>(1,158)</u>
<b>Loss for the period</b>		<b><u>(11,561)</u></b>	<b><u>(22,187)</u></b>	<b><u>(8,544)</u></b>	<b><u>(7,934)</u></b>
<b>Loss for the period attributable to:</b>					
Owners of the Company		(11,288)	(21,458)	(8,490)	(7,568)
Non-controlling interests		<u>(273)</u>	<u>(729)</u>	<u>(54)</u>	<u>(366)</u>
		<b><u>(11,561)</u></b>	<b><u>(22,187)</u></b>	<b><u>(8,544)</u></b>	<b><u>(7,934)</u></b>
<b>Loss per share (HK cents)</b>	4				
– Basic		<u>(0.48)</u>	<u>(0.96)</u>	<u>(0.31)</u>	<u>(0.34)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Loss for the period</b>		<b><u>(11,561)</u></b>	<b><u>(22,187)</u></b>	<b><u>(8,544)</u></b>	<b><u>(7,934)</u></b>

	For the nine months ended 31 December		For the three months ended 31 December	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other comprehensive income (loss):-</b>				
Items that may be subsequently reclassified to profit or loss:-				
Exchange gain/(loss) arising from translation of financial statements of foreign operations	<u>300</u>	<u>299</u>	<u>(154)</u>	<u>145</u>
<b>Total comprehensive loss for the period</b>	<b><u>(11,261)</u></b>	<b><u>(21,888)</u></b>	<b><u>(8,698)</u></b>	<b><u>(7,789)</u></b>
<b>Total comprehensive loss for the period attributable to:-</b>				
Owners of the Company	<u>(10,982)</u>	<u>(21,159)</u>	<u>(8,642)</u>	<u>(7,423)</u>
Non-controlling interests	<u>(279)</u>	<u>(729)</u>	<u>(56)</u>	<u>(366)</u>
	<b><u>(11,261)</u></b>	<b><u>(21,888)</u></b>	<b><u>(8,698)</u></b>	<b><u>(7,789)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2015

	Attributable to owners of the Company										
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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	-	-	-	-	-	206	-	-	206	-	206
Share option lapsed	-	46	-	-	-	(46)	-	-	-	-	-
<b>Comprehensive loss</b>											
Loss for the period	-	(21,458)	-	-	-	-	-	-	(21,458)	(729)	(22,187)
Other comprehensive loss:- Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	299	-	-	-	299	-	299
Total comprehensive loss for the period	-	(21,458)	-	-	299	-	-	-	(21,159)	(729)	(21,888)
At 31.12.2014 (unaudited)	<u>22,430</u>	<u>(155,699)</u>	<u>135,200</u>	<u>3,801</u>	<u>112</u>	<u>1,980</u>	<u>2,521</u>	<u>(258)</u>	<u>10,087</u>	<u>196</u>	<u>10,283</u>
At 1.4.2015 (audited)	22,430	(170,884)	135,200	3,801	92	2,020	2,521	(258)	(5,078)	656	(4,422)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	9	-	-	9	-	9
Release upon disposal of subsidiaries	-	-	-	-	(566)	-	-	-	(566)	-	(566)
Exercise of share option	345	-	3,640	-	-	(974)	-	-	3,011	-	3,011
Conversion of convertible bonds	5,000	-	36,261	-	-	-	(1,261)	-	40,000	-	40,000
<b>Comprehensive loss</b>											
Loss for the period	-	(11,288)	-	-	-	-	-	-	(11,288)	(273)	(11,561)
Other comprehensive income:- Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	306	-	-	-	306	(6)	300
Total comprehensive loss for the period	-	(11,288)	-	-	306	-	-	-	(10,982)	(279)	(11,261)
At 31.12.2015 (unaudited)	<u>27,775</u>	<u>(182,172)</u>	<u>175,101</u>	<u>3,801</u>	<u>(168)</u>	<u>1,055</u>	<u>1,260</u>	<u>(258)</u>	<u>26,394</u>	<u>377</u>	<u>26,771</u>

Notes:

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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.

These unaudited condensed consolidated quarterly results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2015, which have been prepared in accordance with HKFRSs.

These unaudited condensed consolidated quarterly results have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated quarterly results and amounts reported for the current period and prior periods.

These condensed consolidated quarterly results have been prepared under the historical cost convention.

### (b) Adoption of the going concern basis

When preparing the unaudited consolidated quarterly results, the Group’s ability to continue as a going concern has been assessed. These unaudited consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$11,561,000 for the period ended 31 December 2015 and as of that date, the Group had net current liabilities of HK\$63,576,000 respectively as the Directors considered that:–

- (1) Mr. Tang Sing Ming Sherman (“Mr. Tang”), who, as at 31 December 2015, provided loans to the Group of HK\$61,600,000 and is also the sole beneficial owner of the convertible bonds issued by the Company in the aggregate principal amount of HK\$40,000,000, will provide continuing financial support to the Group. Mr. Tang, is the executive director of the Company and one of the beneficiaries of a family trust, who holds approximately 60.26% interest in the Company; and
- (2) The Group had unutilized banking facilities of HK\$22,741,000 as at 31 December 2015. Given the Group maintained strong business relationship with its bankers and based on the past experiences, the Directors considered that the Group is able to renew the facilities when such facilities expire.

After taking into consideration of above factors, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the unaudited consolidated interim results to be prepared on a going concern basis.

## 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:

	<b>For the nine months ended 31 December</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Provision of food and beverage services	<b>351,753</b>	376,351

## 3. INCOME TAX

Taxation in the profit or loss represents:

	<b>For the nine months ended 31 December</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax	<b>2,305</b>	4,068
Deferred tax	<b>(28)</b>	(1,498)
Income tax expense	<b>2,277</b>	2,570

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company's subsidiaries incorporated/established in Hong Kong, 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 (2014: Hong Kong – 16.5%, PRC – 25%, Taiwan – 17% and Japan – 15% respectively).



#### 4. LOSS PER SHARE

- (a) The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$11,288,000 (2014: HK\$21,458,000) and the weighted average number of ordinary shares of 2,365,197,000 (2014: 2,242,950,000) in issue during the period for the nine months ended 31 December 2015, calculated as follows:

	<b>2015</b> <b>(unaudited)</b> <b>HK\$'000</b>	2014 (unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	<b>11,288</b>	21,458
<b>Weighted average number of ordinary shares</b>		
	<b>2015</b> <b>(unaudited)</b> <b>'000</b>	2014 (unaudited) '000
Issued ordinary shares at the beginning of the period	<b>2,242,950</b>	2,242,950
Effect of share options exercised	<b>7,178</b>	–
Effect of conversion of convertible bond	<b>115,069</b>	–
Weighted average number of ordinary shares at the end of the period	<b>2,365,197</b>	2,242,950

- (b) The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$8,490,000 (2014: HK\$7,568,000) and the weighted average number of ordinary shares of 2,727,950,000 (2014: 2,242,950,000) in issue during the period for the three months ended 31 December 2015, calculated as follows:

	<b>2015</b> <b>(unaudited)</b> <b>HK\$'000</b>	2014 (unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	<b>8,490</b>	(7,568)
<b>Weighted average number of ordinary shares</b>		
	<b>2015</b> <b>(unaudited)</b> <b>'000</b>	2014 (unaudited) '000
Issued ordinary shares at the beginning of the period	<b>2,242,950</b>	2,242,950
Effect of share options exercised	<b>28,478</b>	–
Effect of conversion of convertible bond	<b>456,522</b>	–
Weighted average number of ordinary shares at the end of the period	<b>2,727,950</b>	2,242,950

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2014 and 2015.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2015 (2014: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's unaudited turnover for the third quarter ended 31 December 2015 amounted to HK\$351.8 million (2015: HK\$376.4 million), representing a decrease of 7% compared with the same period of the last financial year. Net loss attributable to owners of the Company decreased by HK\$10.2 million, to HK\$11.3 million as compared with the same period of the last financial year.

### **Industry Overview**

The global economic environment is highly unsteady when we step into 2016. The US economy loses some momentum whereas the economic performance of the euro zone remains lackluster. In the Group's home market, Hong Kong, the external headwinds have been growing stronger. The slowdown of China's economic growth has induced waves of sharp stock market corrections, which further depressed the already weak market sentiment. In the meantime, the recent appreciation of Hong Kong dollars, devaluation of Renminbi and the conflicts between Hong Kong locals and mainland travelers dampened heavily the business of retail industry in the region.

Meanwhile, competition in the always-intense Hong Kong restaurant sector continues to grow. As a result of the statutory minimum wage, the manpower shortage and high turnover rate have hit the restaurant business harder than any other as the food and beverage sector usually requires long working hours and is highly physically demanding. The Group has to raise the hourly rate and offer better benefits to retain the existing and attract the new employees. Despite drop in the number of mainland tourist visiting Hong Kong, we do not see significant downward adjustment to rent in shopping malls, in which around 95% of the Group's shops are located. Moreover, the Group has to compete against other retailers for good locations as availability remains tight in shopping malls. Apart from rent and labour, the industry continues to feel the pressures from rising costs of raw materials and utilities. All these have increased our operating costs and squeeze the Group's profit margin.

## **Business Review**

As outlined in the Group's annual report of the previous financial year, business model refinement and portfolio restructuring are our top priority in fiscal 2015/2016. With three quarters of the fiscal year behind, the business restructuring has been making a good progress. During the period under review, the Group had disposed of the entire interests in the Shanghainese dining concept and Taiwan beef noodle chain stores, coupled with the overseas operation in Japan in order to focus the resources on the development of the Japanese-related concepts in the Greater China region. Here, we are pleased to report that the portfolio restructuring has achieved positive results. The Group has improved its efficiency which is reflected in the decrease in operating expenses and narrowed losses. This has demonstrated that the Group's decision to engage in business restructuring tends to optimize position of the Group. We hope to see further improvement in key operating figures in the upcoming months.

During the period under review, sales of our flagship brand of restaurants, café and cake shops namely Italian Tomato, together with its extended brands had declined in Hong Kong due to the closing of a store when its lease expired. Two additional stores had been opened in the third quarter. Hopefully, these stores will help to catch up the sales in the coming months. Through years of presence in the market, we have learned from our past experience that we must innovate our way out. Instead of rapid network expansion, we make more efforts on product innovation, menu engineering and customer relationships. And as always, we continue to offer compelling value to our customers. Beyond Hong Kong, stores in Mainland China and Taiwan had underperformed. We know we have to be more disciplined and develop more innovative approaches for turnaround, in which we are making progress.

For our concert specializing in Japanese curry, we see a very mild drop in sales during the review period. This was mainly attributable to the closing of certain underperformed stores in Hong Kong and new stores are yet to pick up the pace of sales. However, we expect that such drop is temporary. Going forward, we will continue to sharpen our ability in the areas of production efficiency, food mix and taste consistency. We believe these capabilities will help us drive higher profitability.

The oldest dining concept in our operating history, the Japanese tonkatsu, continues to contribute income to the Group. For the past quarters, we observed setbacks in this brand which is mainly due to decrease in the number of stores as their leases expired and other new dining tend to draw away our customers. However, as this is an enduring brand with proven record of success in Japan, we are confident that we can differentiate ourselves from our competitors when we maintain the food quality and adhere to the tradition of this brand. We remain optimistic in this concept and we expect the sales to pick up again when new stores are opened.

Our latest business initiation during the review period, brand licensing and management is making good progress. During the review period, 2 licensed stores under the Japanese curry specialty concept were opened in the PRC, making a total of 3 stores in operation as of the period end. Subsequent to the end of the reporting period, our very first licence store was temporarily closed for renovation in order to provide a fresh dining experience to customers. As this license-led business is a new business model for the Group, further time and efforts will be needed for both our management and operation team to exploit and advance in this new opportunity.

Meanwhile, sales of other concepts operated by the Group were stable in general. We are working to drive more customer trials through sharper products and price offers and we are confident that our efforts will translate into brand value soon.

Mainland China is a mass market with enormous opportunities and therefore, in an effort to build and strengthen our operational foundation in the region, we acquired a logistic and production center in Shanghai in the beginning of the fiscal year. This approximate 1,000-square meter manufacturing center will help to boost the processing capability of the Shanghai operation and meet the growing needs of the expanding stores in the region.

### **Future Prospects**

We have stepped into year 2016 with increasing challenges. The restaurant industry will likely gravitate towards the lower end of the market due to the economic downturn. We believe in our brand concepts and the market positioning of the concepts will help us weather the difficulties ahead. However, it is hard to foresee when the sluggish market takes a turn for the better or the economy revives. Diversification in terms of business and income source is important to the Group's sustainability. Therefore, we will not preclude the possibilities to evolve through business opportunities other than the existing concepts. Being flexible and dynamic will be another key to survive when the operating environment is unfavourable to us. In the coming quarters, we will stand firmly on our structural reform and strive for growth by adhering to our multi-brand strategy.

The Group's businesses in both the PRC and Taiwan markets are being promoted according to our plans. The growth potential is still considerably positive in the long term. We will extend our store network from Shanghai to affluent cities in the southern part of Mainland China. Four stores are being planned for grand opening in the PRC in the coming quarters to introduce the market to new dining experiences, attract new customers, gain media attention and expand the Group's appearance in the PRC, while the disposal and acquisition plans may be considered for streamlining the Group's business in the PRC as well.

## FINANCIAL REVIEW

### Consolidated results of operations

For the nine months ended 31 December 2015, the Group recorded turnover of HK\$351.8 million (2014: HK\$376.4 million), the turnover decreased by 7% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$11.3 million (2014: HK\$21.5 million).

The gross profit margin of the Group was 69% (2014: 69%).

Total operating expenses decreased by 5% to HK\$259.7 million (2014: HK\$273.6 million) due to the fact that the Group had disposed of the entire equity interests in (i) Jazzman Group which was the Group's overseas operations in Japan and (ii) Alworth Group which was the separate lines of business, under the brand names of Xiao Wang Beef Noodle and Xia Fei during the period under review.

During the period under review, the maturity date of the convertible bond in the principal amount of HK\$80 million has been extended for 36 months to 15 August 2018, i.e. from the date falling on the third anniversary to the sixth anniversary of the date of the issue of the convertible bond. Save and except for the amendment to the maturity date, all the terms and conditions of the convertible bond remain unchanged and shall be valid and continue in full force and effect. Besides, the bondholder exercised partially the conversion rights attaching to the convertible bond in respect of the principal amount of HK\$40 million of the convertible bond at the conversion price of HK\$0.080 per conversion share during the period under review and 500,000,000 ordinary shares of the Company were allotted and issued to the bondholder. As at 31 December 2015, the outstanding principal amount of the convertible bond ("**Convertible Bond**") was HK\$40 million, under which a total of 500,000,000 ordinary shares of the Company will be issued upon full exercise of the conversion rights attaching to the convertible bond at the conversion price of HK\$0.080 per share (subject to adjustment).

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

During the nine months ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2015, 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 (Note 3)
Mr. Tang (Note 2)	Beneficiary of a trust	1,173,810,083 (Note 1)	42.26%
	Beneficial owner	500,000,000	18.00%
Mr. Bhanusak Asvaintra	Beneficial owner	2,000,000	0.07%
Mr. Chan Kam Fai Robert	Beneficial owner	2,000,000	0.07%
Mr. Chung Kwok Keung Peter	Beneficial owner	2,000,000	0.07%

#### Notes:

- Mr. Tang is the founder and one of the beneficiaries of Piety Trust ("Family Trust"), a discretionary family trust for the benefit of certain family members of Mr. Tang. The said 1,173,810,083 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 1,173,810,083 shares under Part XV of the SFO.

In addition, Mr. Tang is also the sole legal and beneficial owner of the convertible bond issued by the Company in the principal amount of HK\$40 million ("Convertible Bond") pursuant to which a total of 500,000,000 ordinary shares of the Company would be issued upon full conversion at the conversion price of HK\$0.080 per share.

2. Ms. Ho 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 2,777,450,000 shares of the Company in issue as at 31 December 2015.

**(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 (Note 3)
Mr. Tang (Note 2)	Beneficial owner	500,000,000 (Note 1)	18.00%

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

Name	Date of grant	Exercise price per share <i>HK\$</i>	Exercisable period	Approximate percentage of the issued share capital (Note 3)	Number of share options outstanding
Mr. Tang (Note 2)	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.18%	5,000,000
	23 December 2011	0.062	From 23 December 2013 to 22 December 2021	0.18%	5,000,000
	23 December 2011	0.062	From 23 December 2014 to 22 December 2021	0.18%	5,000,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.18%	5,000,000
	19 April 2013	0.090	From 19 April 2015 to 18 April 2023	0.18%	5,000,000
					<u>25,000,000</u>

*Notes:*

1. The said 500,000,000 shares represent the total number of conversion shares which would be allotted and issued upon full conversion of the Convertible Bond held by Mr. Tang, and the outstanding principal amount of the Convertible Bond as at 31 December 2015 was HK\$40 million pursuant to which a total of 500,000,000 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.
3. Based on 2,777,450,000 shares of the Company in issue as at 31 December 2015.



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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of attributable interest in corporation</b>
Mr. Tang ( <i>Note 1</i> )	First Glory ( <i>Note 2</i> )	Beneficiary of a trust	1	100%

*Notes:*

1. Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.
2. 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**

<b>Name</b>	<b>Type of interests</b>	<b>Amount of Debentures</b>
Mr. Tang ( <i>Note 2</i> )	Beneficial owner	HK\$40 million ( <i>Note 1</i> )

*Notes:*

1. The Convertible Bond was issued by the Company in the principal sum of HK\$40 million, pursuant to which a total of 500,000,000 ordinary shares of the Company would be issued upon full conversion at the conversion price of HK\$0.080 per share.
2. Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.

Save as disclosed herein, as at 31 December 2015, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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

Save as disclosed under the section headed “Directors’ interests in the securities of the Company or any associated corporations”, so far as is known to the Directors and chief executive of the Company, as at 31 December 2015, 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:

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of the issued capital (Note 4)</b>
Mr. Tang	Beneficial owner	1,000,000,000	36.00%
	Beneficiary of a trust (Note 1)	1,173,810,083	42.26%
HSBC Trustee (Cook Islands) Limited (Note 1)	Interest in corporation	1,173,810,083	42.26%
Glory Sunshine (Note 1)	Interest in corporation	1,173,810,083	42.26%
First Glory (Note 1)	Beneficial owner	1,173,810,083	42.26%
Ms. Ho (Note 3)	Interest in spouse	2,198,810,083	79.17%

*Notes:*

1. The said 1,173,810,083 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. 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.
3. Based on 2,777,450,000 shares of the Company in issue as at 31 December 2015.

## SHARE OPTIONS

As at 31 December 2015, options under Share Option Schemes to subscribe for an aggregate of 33,000,000 shares have been granted to 1 director and 2 employees of the Group, details as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2015	Exercised during the period	Outstanding at 31.12.2015
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)	–
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	(2,000,000)	3,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	5,000,000	(2,000,000)	3,000,000
	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	5,500,000	(5,500,000)	–
	19.4.2013	19.4.2015 – 18.4.2023	0.090	5,500,000	(5,500,000)	–
Total of all categories				<u>67,500,000</u>	<u>(34,500,000)</u>	<u>33,000,000</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, the 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, the PRC, Japan and Singapore. Other than the Group, the restaurants currently owned and operated by Mr. Tang and his associates in Hong Kong, the PRC, Japan and Singapore include but are not limited to the following: Joy & Joy 喜双逢, Tim's Kitchen Elements 圓方桃花源, The Peak Lookout, The Peak Lookout Airport, Jimmy's Kitchen, Steik World Meats, Agave, Club 97, Post 97, El Pomposo Shanghai, Sei 誠, Naha 那霸沖繩料理, 大勝軒, 大門, Xia Fei 霞飛, Xiao Wang Beef Noodle 小王牛肉麵, Avenue Joffre at Sentosa 聖淘沙霞飛路, Kansai Mama 關西媽媽 and Osteria Felice (“**Private Group Restaurants**”). The information of some of these restaurants, including their locations and menus, can be found in the website [www.epicurean.com.hk](http://www.epicurean.com.hk) (which is not the website of the Company).

The cuisines and dining experiences that the Private Group Restaurants offer are largely different from those that are currently offered by the Group's restaurants (which include Japanese tonkatsu under the name of Ginza Bairin 銀座梅林, 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 Japanese ramen under the name of Mutsumiya 睦美屋 and the Japanese izakaya under the name of Enmaru 炎丸) (“**Group Restaurants**”). For the Private Group Restaurants that share similar cuisines with any of the Group Restaurants, they operate in different locations; and for the Private Group Restaurants that are located in the same district with any of the Group Restaurants, they operate on different concepts and serve different cuisines. In view of this, Mr. Tang considers that the restaurants currently owned or operated by him and his associates (otherwise than through the Group) are not in competition with the business of the Group.

## AUDIT COMMITTEE

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

Up to the date of approval of the Group's unaudited results for the nine months ended 31 December 2015, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2015 prior to recommending such report and accounts to the Board for approval.

## **DIRECTORS' SECURITIES TRANSACTIONS**

Throughout the nine months ended 31 December 2015, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

## **CORPORATE GOVERNANCE**

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2015, 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, 4 February 2016

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

*This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*