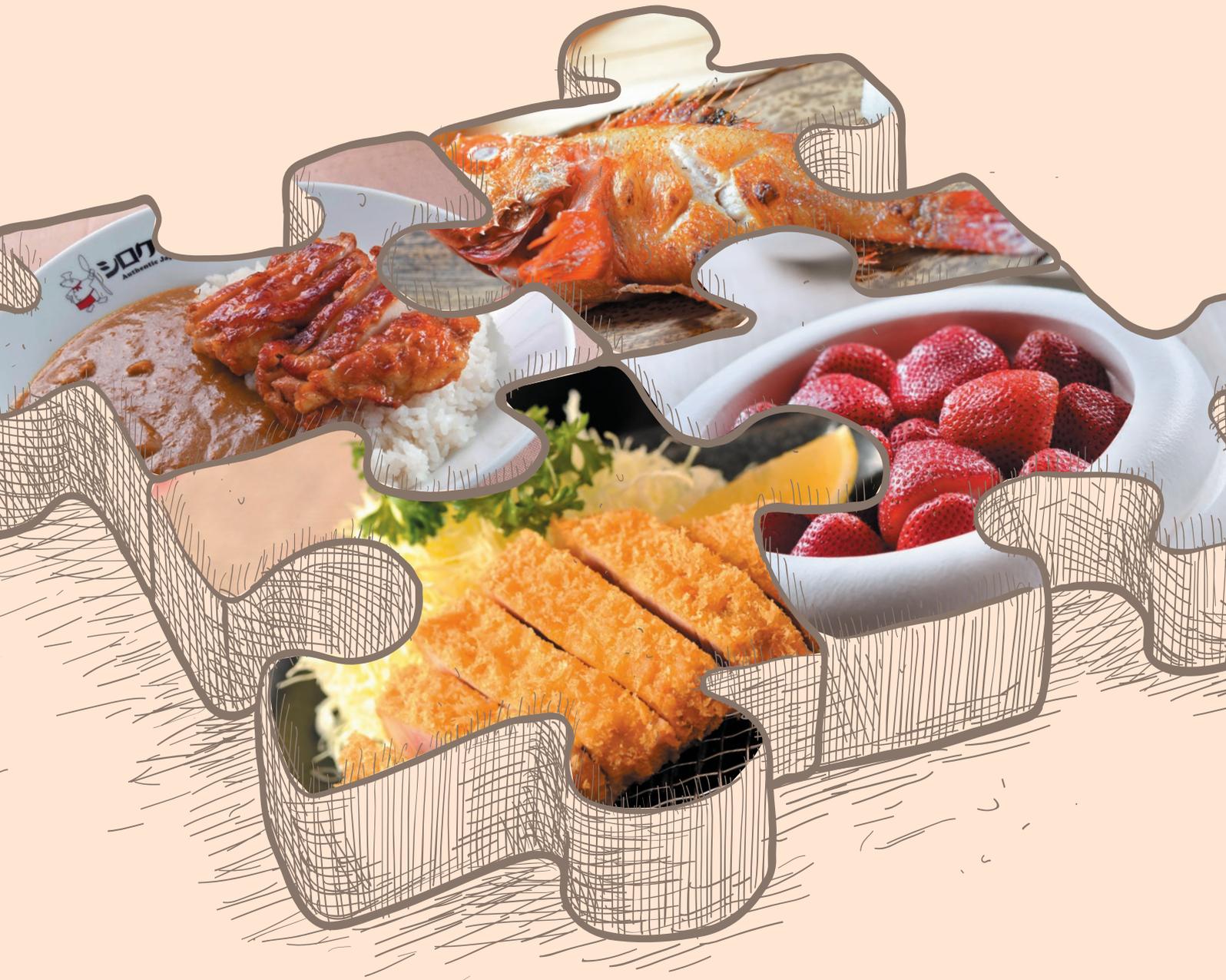


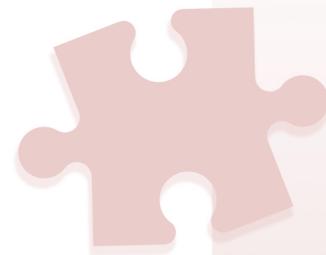


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Epicurean and Company, Limited
Incorporated in the Cayman Islands with Limited Liability
(Stock Code: 8213)

Annual Report
2015-2016



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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.



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EXECUTIVE DIRECTOR

Mr. Tang Sing Ming Sherman
(Chairman of the Board and Chief Executive Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bhanusak Asvaintra
Mr. Chan Kam Fai Robert
Mr. Chung Kwok Keung Peter

COMPANY SECRETARY

Mr. Ho King Yee

COMPLIANCE OFFICER

Mr. Tang Sing Ming Sherman

AUDIT COMMITTEE

Mr. Bhanusak Asvaintra *(Chairman)*
Mr. Chan Kam Fai Robert
Mr. Chung Kwok Keung Peter

REMUNERATION COMMITTEE

Mr. Chan Kam Fai Robert *(Chairman)*
Mr. Tang Sing Ming Sherman
Mr. Bhanusak Asvaintra
Mr. Chung Kwok Keung Peter

NOMINATION COMMITTEE

Mr. Chung Kwok Keung Peter *(Chairman)*
Mr. Tang Sing Ming Sherman
Mr. Bhanusak Asvaintra
Mr. Chan Kam Fai Robert

CORPORATE GOVERNANCE COMMITTEE

Mr. Tang Sing Ming Sherman *(Chairman)*
Mr. Bhanusak Asvaintra
Mr. Chan Kam Fai Robert
Mr. Chung Kwok Keung Peter

AUTHORIZED REPRESENTATIVES

Mr. Tang Sing Ming Sherman
Mr. Ho King Yee

LEGAL ADVISERS

Deacons
5th Floor, Alexandra House
16-20, Chater Road, Hong Kong

AUDITOR

PKF
Certified Public Accountants
26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

PRINCIPAL BANKER

The Bank of East Asia Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor
Pedder Building
12 Pedder Street
Central
Hong Kong

COMPANY'S WEBSITE ADDRESS

www.eacl.com

GEM STOCK CODE

8213



Chairman's Statement

Dear shareholders,

I am pleased to present to you the annual report of Epicurean and Company, Limited (the "Company") for the year ended 31 March 2016.

The fiscal year 2015/2016 continued to be a tough year for the food and beverage industry. During the year, we faced challenges from internal and external fronts. Internally, the growing cross-border tensions and pro-democracy protests have resulted dropping in tourist visiting from China. Externally, the appreciation of the Hong Kong dollar against foreign currencies has weakened the tumbling tourism sector. To operate in such a difficult macroeconomic environment, one fact is clear: we need to be agile, flexible and adaptive. Therefore, we had undertaken the biggest strategic move since we tapped into the food and beverage sector in 2010, that is to focus our business on Japan-related concepts in the Greater China Region.

The fiscal year 2015/2016 was a landmark year for the Company, during which we had announced a series of disposal so that we would be 100% dedicated to building and strengthening our Japan-related business. We had disposed of two dining concepts, namely the Shanghainese cuisine and Taiwan beef noodle. And we have also sold our constantly under-performed overseas business in Japan in order to be committed to the more promising Greater China market. After such business restructuring, it seems that our network has shrunken as our shops have substantially decreased by 19% to 59 as at the year end, comparing to that of the previous financial year. Despite the setbacks, we see a fundamental improvement in our financial position as amount of debt decreased from HK\$188.3 million to HK\$135.6 million. We are confident the Group is more optimally-structured after the reform.

About 66% of our shops located in Hong Kong, remained the major income contributors to the Group. The macroeconomic environment and volatile stock market influenced the casual dining segment. During the year, sales of some stores recorded mild growths, while some, have declined. We know we must generate more exciting news and value to counter the vigorous operating landscape. Our management team has a number of strategies and concepts in test that we expect to improve results in the coming years.

In China, we extended our reach into a new market, Shenzhen, by opening our first café in mid 2015. The sales of the café for the first few months were weaker than expected, and yet it is too soon to negate the possibility of this brand in the market. Currently, we are under tests to unify with local cultural insights to expand and grow our business in this new market. Meanwhile, the performance of our Shanghai stores was quite stable. Our disciplined approach to development balances our continued, strong belief in China's long-term growth potential with current market uncertainties. Since most of our dining concepts are new to the mainland China market, we still have work to do and I am thrilled that our China team is bringing fresh thinking and new insights to vitalize all these brands and achieve traction with consumers. This process will take time, but we are confident that our efforts will be paid off one day. We believe stronger brand recognitions will lay the groundwork for higher operating profit growth in the years to come.

Chairman's Statement



Stepping into 2016, we observe that sales across each brand concepts are much weaker than the previous year. With China's growth falling to its slowest rate in a quarter century and Hong Kong's economy being closely linked to that of China, we foresee a challenging year ahead of us. Our multi-brand mass market positioning could, to a certain extent, help to foster our resilience against the economic downturn. However, the decelerating economy will inevitably put pressure on the already tight profit margin in our sector. We will continue to reshape our business model and make decisions necessary to enhance the profitability of the Group.

Needless to say, the fiscal year 2016/2017 will be a transformational year for the Group as we had undergone the restructuring such that we can be committed on Japanese-related concepts. The fundamental goal of our Group to become a leading hospitality group in the region, however, is unchanged. And, I want to assure you that while the business restructuring is critically important, we will not let it distract us from expanding the business in Hong Kong or anywhere else. We will seek to create new concepts and business ideas on an ongoing basis with an ultimate goal of delivering sustainable growth and creating long-term shareholder value.

Finally, I would like to express my sincere gratitude to all our shareholders and customers for their continuous care and support. I would also like to thank all of our employees for their hard work and dedication to our Group during the year.

Tang Sing Ming Sherman

Chairman

Hong Kong, 27 June 2016



Corporate Governance Report

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. Set out below are those principles of corporate governance as adopted by the Company during the reporting year.

The Company has complied with the code provisions (“Code Provisions”) set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 March 2016, 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 in the relevant sections below.

DIRECTORS’ SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2016, 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 have complied with such required standard of dealings and its code of conduct regarding directors’ securities transactions.

THE BOARD

Board of Directors

The board of Directors of the Company (the “Board”) currently consists of four members including one executive director (being the Chairman of the Board and the Chief Executive Officer of the Company) and three independent non-executive directors.

The Company complied at all times during the financial year ended 31 March 2016 with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors.

Mr. Bhanusak Asvaintra, one of the independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. All independent non-executive Directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole. Except as otherwise disclosed in this Annual Report, none of the independent non-executive Directors has any business or financial interests with the Group and all independent non-executive Directors confirmed their independence to the Group as at 31 March 2016 in accordance with Rule 5.09 of the GEM Listing Rules.

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.



THE BOARD (cont'd)

Board of Directors (cont'd)

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 Sing Ming Sherman 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.

Executive Director

The executive Director is responsible for running the Group and executing the strategies adopted by the Board. He leads the Group's management team in accordance with the directions set by the Board and is responsible for ensuring that a proper internal control system is in place and that the Group's business conforms with the applicable laws and regulations.

Independent non-executive Directors

Independent non-executive Directors serve an important function of advising the management on strategy development and ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

Each of the independent non-executive Directors of the Company who was appointed on 18 February 2010 has signed a letter for renewal of appointment for a term of three years ending on 17 February 2019 with the Company, unless terminated earlier by either side by giving the other not less than one month's prior written notice and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company. The commencement dates of the re-appointment for each of the independent non-executive Directors are as follows:

Independent non-executive Directors	Commencement Date
Mr. Bhanusak Asvaintra	18 February 2016
Mr. Chan Kam Fai Robert	18 February 2016
Mr. Chung Kwok Keung Peter	18 February 2016



Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 Sing Ming Sherman 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 Sing Ming Sherman 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.

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprised of three independent non-executive Directors as at 31 March 2016, namely Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter, who were appointed on 18 February 2010. The Chairman of the Audit Committee is Mr. Bhanusak Asvaintra, who possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

A total of four Audit Committee meetings were held during the financial year ended 31 March 2016 to review and discuss the annual, quarterly and interim results and financial statements of the Group respectively. The adequacy of the Company's policies and procedures regarding financial reporting and internal controls were also discussed. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues that the Audit Committee considers necessary. The external auditor of the Group may request a meeting with the Audit Committee if they consider necessary.

The authorities of the Audit Committee include (1) investigation of any activity within its terms of reference; (2) seeking any information it requires from any employee; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

AUDIT COMMITTEE (cont'd)

The main duties of the Audit Committee include but not limited to the followings:

- To consider the selection and appointment of the external auditor, the audit fee, and any question concerning the resignation or dismissal of the external auditor;
- To discuss with the external auditor the nature and scope of the audit;
- To review and monitor the external auditor's independence and the objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To develop and implement policy on the engagement of external auditor to supply non-audit services;
- To review the Group's quarterly, interim and annual financial statements and results respectively before the submission of them to the Board;
- To discuss any problems and reservations arising from the final audits and any matters that the external auditor may wish to discuss;
- To review the Group's statement on internal control system prior to the endorsement of it by the Board;
- To consider the major findings of risk management, any internal investigation and the management's response;
- To consider other topics, as determined by the Board; and
- To review arrangements employees of the Company and its subsidiaries can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters.

Throughout the year under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and the internal control system of the Group. As regards external auditor's remuneration, audit service was provided by the Group's external auditor during the year under review.

CORPORATE GOVERNANCE FUNCTION

The Company has established the Corporate Governance Committee on 13 February 2012 with written terms of reference in compliance with Code Provision D.3.1 under Appendix 15 of the GEM Listing Rules. The members of the Corporate Governance Committee consist of Mr. Tang Sing Ming Sherman and all independent non-executive Directors of the Company. The Chairman of the Corporate Governance Committee is Mr. Tang Sing Ming Sherman.



Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION (cont'd)

The main duties of the Corporate Governance Committee are as follows:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of the Directors and the senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct applicable to the Directors and the employees of the Group;
- To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as required under the GEM Listing Rules;
- To direct and supervise the investigation into any matter brought to the Committee's attention within the scope of its duties;
- To review annually and recommend to the Board changes as necessary to the terms of reference of the Board and its committees; and
- To make any other recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

	No. of meetings attended/No. of meetings held					
	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Corporate Governance Committee Meetings	General Meetings
Executive Director						
Mr. Tang Sing Ming Sherman	6/6	N/A	4/4	4/4	4/4	3/3
Independent non-executive Directors						
Mr. Bhanusak Asvaintra	6/6	4/4	4/4	4/4	4/4	3/3
Mr. Chung Kwok Keung Peter	6/6	4/4	4/4	4/4	4/4	3/3
Mr. Chan Kam Fai Robert	6/6	4/4	4/4	4/4	4/4	3/3



CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision A.6.5 under Appendix 15 of the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Reading materials on relevant topics will be issued to directors where appropriate. All Directors are encouraged to attend relevant training courses. The Company has provided reading materials on regulatory updates to the Directors for their reference and studying.

During the review period, all Directors have participated in continuing professional development by reading relevant materials on topics related to corporate governance and regulatory matters.

A summary of training received by the Directors since 1 April 2015 up to 31 March 2016 is as follow:

Board members	Type of training
Executive Director	
Mr. Tang Sing Ming Sherman	reading materials and attending training courses
Independent non-executive Directors	
Mr. Bhanusak Asvaintra	reading materials and attending training courses
Mr. Chan Kam Fai Robert	reading materials
Mr. Chung Kwok Keung Peter	reading materials



Corporate Governance Report

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 23 April 2010 with written terms of reference in compliance with Code Provision B.1.2 under Appendix 15 of the GEM Listing Rules. The members of the Remuneration Committee consist of Mr. Tang Sing Ming Sherman and all independent non-executive Directors of the Company. The Chairman of the Remuneration Committee is Mr. Chan Kam Fai Robert.

Pursuant to Code Provision B.1.2(c) under Appendix 15 of the GEM Listing Rules, the Company has adopted the model in which the Remuneration Committee will make recommendations to the Board on the remuneration packages of individual executive Director and senior management. The principal responsibilities of the Remuneration Committee include but not limited to the followings:

- To make recommendations to the Board on the remuneration packages of individual executive Director(s) and senior management;
- To evaluate the performance of all Directors and senior management and make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- To review annually the appropriateness and relevance of the remuneration policy;
- To administer the Company's share option schemes as they apply to Directors and/or senior management; and
- To make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

The emoluments of the executive Director and senior management are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 7 to the consolidated financial statements.

The Remuneration Committee will meet at least once a year. During the financial year ended 31 March 2016, four meetings were held to review and discuss the remuneration of executive Director and senior management.



NOMINATION COMMITTEE

The Company has established the Nomination Committee on 23 April 2010 with written terms of reference in compliance with Code Provision A.5.2 under Appendix 15 of the GEM Listing Rules. The members of the Nomination Committee consist of Mr. Tang Sing Ming Sherman and all independent non-executive Directors of the Company. The Chairman of the Nomination Committee is Mr. Chung Kwok Keung Peter.

The principal responsibilities of the Nomination Committee include but not limited to the followings:

- To review the structure, size and composition (including the skills, knowledge and experience required) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To identify individuals suitably qualified to become Directors and select or make recommendations to the Board in this regard;
- To assess the independence of independent non-executive Directors;
- To ensure that no Director or any of his/her associates is involved in approving his/her or any of his associates' nomination;
- To make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors, in particular the chairman and chief executive of the Company; and
- To make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed.

Board Diversity Policy

Pursuant to the Code, the Board has adopted a board diversity policy in August 2013. The Company recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss annually for achieving diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will review the board diversity policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year under review, the Nomination Committee reviewed the structure, size, composition and diversity of the Board. It also reviewed the re-election of the Directors by rotation, as well as reviewed the independency of the independent non-executive Directors.



Corporate Governance Report

AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the financial year under review is presented as follow:

	Fee amount HK\$'000
Audit services	1,201
Audit related services	56
	1,257

FINANCIAL REPORTING

Statements of directors' responsibilities for preparing the financial statements and the external auditor's reporting responsibilities are set out in the Independent Auditor's Report as contained in this Annual Report.

The Company's external auditor, without qualifying their opinion, draw the users' attention to note 2(d) to the consolidated financial statements indicating the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Please refer to the paragraph headed "Emphasis of Matter" at page 35 of this Annual Report. The Directors, taking into account of the factors setting out in note 2(d) to the consolidated financial statements, 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 consolidated financial statements to be prepared on a going concern basis.

COMPANY SECRETARY

The company secretary of the Company confirmed that he has complied with all training requirements of the Listing Rules during the year under review.

INTERNAL CONTROL

The Directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

The Directors have reviewed and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and the Company's programmes and budget.



SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requested shareholder(s) ("Requested Shareholders") himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed to the Requested Shareholders by the Company.

Enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available to the company secretary of the Company who is responsible for forwarding communications relating to matters within the Board and communication relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the chief executive officer.

Putting forward proposals at a general meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meetings. The proposals shall be sent to the company secretary of the Company by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

INVESTOR RELATIONS

During the financial year ended 31 March 2016, there had been no significant change in the Company's constitutional documents.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code.



Management Discussion and Analysis

The Group's audited revenue for the year ended 31 March 2016 amounted to HK\$442.9 million (2015: HK\$506.0 million), representing a decrease of 12% compared with the last financial year. Net loss attributable to owners of the Company increased by HK\$2.1 million, to HK\$38.7 million as compared with the last financial year.

INDUSTRY OVERVIEW

In year 2015, the global economy was still struggling along in the aftermath of the financial crisis. This year marks a turning point for the Chinese economy. China GDP grew by 6.9%, the lowest rate since 1990. During the year, topics of defaults of companies, plunges of the stock market and real estate bubbles across the country dominated in the Chinese news headlines. Fortunately, the consumer sector has shown signs of resilience despite the struggling economy.

At home in Hong Kong, the growth trend has been slowing down due to the close linkage with the mainland China. Hong Kong's travel service exports also slowed down as the tourism sector faced a structural downtrend led by the loss of Hong Kong's appeal to mainland Chinese tourists and greater competition from surrounding destinations. Hong Kong retail sector is struggling to cope with these economic headwinds. While we were operating under a difficult backdrop, competition in the food and beverage ("F&B") sector remained intense. We have to compete against other F&B operators for labour, rent space and customers. Despite the economic downturn, cost structure of the F&B industry was similar to that of the previous years. We continue to face shortage of manpower, high turnover rate in labour, and burden from high rent rate. Apart from these challenges, the industry continues to feel the pressures from rising costs in raw materials and utilities. All these have tightened up profit margin for the F&B sector.

BUSINESS REVIEW

In our annual report of the last financial year, we outlined that business model refinement and portfolio restructure would be our major priority in fiscal 2015/2016. With this mission in mind, we had undergone business restructuring so that we would path a focused growth company for the future. During the year 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 food-related concepts in the Greater China region. After the disposal, the total number of stores was decreased by 10. Taking into account the closed stores under the remaining brands, the number of our stores was reduced to 59 as at the year end. We now focus on 4 core dining concepts in our portfolio, namely the restaurant, café and cake shop brands, Japanese curry specialty shop, Japanese izakaya and Japanese tonkatsu.

It is an inevitable outcome that our store network would be shrunken after the restructuring. However, the reform starts to show results as some improved figures reflected in the decrease in operating expenses and amount of debt. These demonstrate our progress in business restructuring which tends to optimize position of the Group. We hope to see further improvement in key operating figures upcoming.

Management Discussion and Analysis



In Hong Kong, sales of our flagship brand of restaurants, café and cake shops, together with its extended brands had declined due to closure of stores upon expiry of their leases. Through years of presence in the market, we have learned from our past experience that we must innovate our way out. This year, number of store remained unchanged as we intended to put more efforts on product innovation, menu engineering and customer relationships. We had several new, exciting products launched during the year. Leverage by the success of our first theme store, another theme store was deputed in October 2015 to bring our customers with new surprises and attract new clientele. We had also introduced new favours to our traditional selection of cakes by a crossover with a renowned pastry chef from Japan. We are excited about the possibility of this innovative cooperation and we hope it will find a way to new opportunity outside of Hong Kong. Leveraged on our experience in Shanghai, we had expanded to another prosperous metropolis in China, namely Shenzhen, by opening the first café in the region. Despite lower than the expected sales for the first couple of months, our PRC team is working on strategies to drive traffic. We believe we can apply our successful models from our Hong Kong business to drive growth in this new market. In Shanghai and Taiwan, sales were weaker than Hong Kong. Going forward, we will continue to enhance the brand recognition and our ability in the operation efficiency.

During the year, we closed all stores under the Japanese tonkatsu brand in Hong Kong due to expiry of the lease term, and therefore sales of the year from this brand in the region declined. The setback is only temporary as two new locations for the stores have been secured. The new stores will be opened very soon. As of the year end, we operated 3 stores in Shanghai, which had been contributing a stable income to the Group. We expect the fiscal year 2016/2017 to be a year of sequential sales improvement for this brand as new Hong Kong stores roll out.

In China, the Japanese curry specialized concept was incredibly strong. As of the year end, we have 5 direct-operate stores in Shanghai, which have achieved a remarkable same-store-growth rate. Equally significant, our brand licensing and management under this concept has also made good progress. We will continue to explore more opportunities in this licence-led business. Meanwhile, the performance of this brand in Hong Kong was disappointing. Our operating team is working on menu revamps to spark customer interest. Our management can assure that we are taking the right steps to grow this business and we expect sales to pick up again very soon.

During the year, a new store of the Japanese izakaya concept was opened in Hong Kong, totalling 3 stores as at the financial year end. The two old stores in Hong Kong and Shanghai had recorded same-store sales growth driven by the improved operations and food innovation. A new location has been secured in Guangzhou. We will continue to sharpen products and price offers going forward.

FUTURE PROSPECTS

With almost half of 2016 behind us, we have seen the toughest year in our operating history since our engagement in the F&B sector. Sales dropped to a record low in the first quarter of 2016. We believe our management team will help the Company weather the gloomy economy. 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 while we expand our business in a prudent and effective manner. We will also take necessary steps to remodel our business further so that we will be better positioned under these market realities.



Management Discussion and Analysis

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31 March 2016, the Group recorded a total turnover of HK\$442.9 million (2015: HK\$506.0 million), representing a decrease of 12% compared with the previous year.

Net loss attributable to owners of the Company was HK\$38.7 million (2015: HK\$36.6 million).

Gross profit

The gross profit margin from the operations of the Group was 67% (2015: 68%).

Expenses

Total operating expenses for the operations decreased by 12% to HK\$329.0 million (2015: HK\$372.8 million) due to the fact that the Group had disposed of certain subsidiaries during the year under review. As at 31 March 2016, the shop numbers was also decreased substantially by 19% compared with corresponding period last year.

During the year 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\$0.08 per conversion share during the year under review and 500,000,000 ordinary shares of the Company were allotted and issued to the bondholder. As at 31 March 2016, the outstanding principal amount of the convertible bond was HK\$40 million, under which a total of 500,000,000 ordinary shares of the Company would be issued upon full exercise of the conversion rights attaching to the convertible bond at the conversion price of HK\$0.08 per share (subject to adjustment).

Financial resources and liquidity

The Group generally relies on internal funds and facilities granted by its bankers and the executive director of our Company to finance its operation.

As at 31 March 2016, the Group's current assets amounted to HK\$81.6 million (2015: HK\$108.0 million) of which HK\$40.0 million (2015: HK\$49.6 million) was cash and bank deposits, HK\$35.5 million (2015: HK\$51.8 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK\$148.9 million (2015: HK\$260.7 million), including creditors, accruals and deposits received in the amount of HK\$51.8 million (2015: HK\$69.5 million). As at 31 March 2016, as the convertible bonds amounted to HK\$38.6 million (2015: HK\$79.6 million) will not be repayable within twelve months, it was treated as non-current liabilities in this financial year whereas it was included in current liabilities in last financial year.

Management Discussion and Analysis



The current ratio and quick assets ratio as at 31 March 2016 were 0.55 and 0.52 respectively (2015: 0.41 and 0.39 respectively). As the Company incurred net liabilities as at 31 March 2016 and 2015, there is no debt-to-equity ratio, which is expressed as a ratio of total debts less pledged bank deposit and cash and bank balances to total equity, to be calculated.

Foreign exchange

The Group received income from sales in the PRC, Taiwan and Japan denominated in Renminbi, New Taiwan Dollar and Yen respectively. Fluctuations in exchange rates of Renminbi, New Taiwan Dollar and Yen against Hong Kong Dollar could affect the Group's results of operations. During the years ended 31 March 2016 and 31 March 2015, no hedging transactions or other exchange rate arrangements were made.

Charges on the Group's assets

Except for the assets pledged as security for obligations under the finance leases at 31 March 2016 and 31 March 2015, no Group's assets which had been pledged or charged as at 31 March 2016 and 31 March 2015.

Capital commitments

As at 31 March 2016 and 31 March 2015, the Group did not have material capital commitment.

Contingent liabilities

As at 31 March 2016 and 31 March 2015, the Group did not have material contingent liabilities.

Employees and remuneration policies

As at 31 March 2016, the Group had 743 employees in Hong Kong, the PRC and Taiwan (2015: 1,103 employees in Hong Kong, the PRC, Taiwan and Japan). The remuneration of employees of the Group 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 of their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies and 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 new share option scheme adopted on 20 July 2012 as well as the previous share option scheme adopted on 26 February 2003 (collectively referred to as the "Share Option Schemes").



Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Tang Sing Ming Sherman, aged 59, joined the Group in 2010, is the Chairman of the Board of Directors and the Chief Executive Officer of the Company. Mr. Tang is also an independent non-executive director of i-Cable Communications Limited, a company listed on the Stock Exchange (Stock Code: 1097). He holds a Master degree in Electrical Engineering and a degree of Doctor in Medicine from the University of Southern California, the United States of America. Mr. Tang is a seasoned entrepreneur in the hospitality industry and currently owns a well-established management and consultancy group in Hong Kong which creates and operates a wide variety of food and beverage concepts. He has over 20 years experience in investment and operation of restaurants, cafes and bars.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bhanusak Asvaintra, aged 71, joined the Group in 2010, obtained degrees from University of Pennsylvania and University of Chicago. Mr. Asvaintra held senior executive positions with the Chase Manhattan Bank group in New York, Hong Kong and Singapore in the 1970s. In 1980, Mr. Asvaintra joined the Charoen Pokphand group of companies (the "Pokphand Group") and retired as the Chief Executive Officer of the Pokphand Group in 1998. Mr. Asvaintra is currently an independent non-executive director of Dickson Concepts (International) Limited, a company listed on the Stock Exchange (Stock Code: 113), since he was appointed to the post in September 2004.

Mr. Chung Kwok Keung Peter, aged 61, joined the Group in 2010, had studied in Red Deer College. Mr. Chung has over 20 years' experience in manufacturing business. He was a Director of Racing Champions Corporation, the shares of which are listed on the NASDAQ Stock Market in the United States of America, from April 1996 to May 2008. Mr. Chung is currently an operating partner of a private equity business.

Mr. Chan Kam Fai Robert, aged 59, joined the Group in 2010, was educated in business administration studies at the Hong Kong Polytechnic College. Mr. Chan has over 35 years' experience in international advertising agencies and multimedia operations, both in Hong Kong and mainland China. He currently runs his own outdoor media specialist company.

Directors and Senior Management



SENIOR MANAGEMENT

Ms. Cheung Nga Kuen, aged 54, joined the Group in 2010. She oversees the leasing affairs of the Group. Prior to joining the Group, she has been engaged in corporate development and management for over 10 years in different businesses. Ms. Cheung holds a Master of Business Administration degree and is a graduate member of The Hong Kong Institute of Chartered Secretaries.

Mr. Lam Yiu Chung Billy, aged 47, joined the Group in 2010. He is responsible for the Group's operation of overseas business and development as well as the operation and development of Group's Japanese cuisines. Prior to joining the Group, he has acquired substantial experience in the operation and management of hospitality industry especially in franchise operations and development. Mr. Lam holds a Higher Diploma in Hotel and Catering Management from The Hong Kong Polytechnic.

Mr. Chan Wai Wong, aged 51, joined the Group in 2010. He is the Head of Corporate Affairs Department. He obtained a Bachelor of Commerce degree from the University of New South Wales, Australia and a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Chan has over 20 years of experience in auditing, consulting, financial management and business development and is responsible for overseeing the corporate development of the Group. Professionally, Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

Mr. Ho King Yee, aged 40, joined the Group in 2006. He is the Financial Controller and Company Secretary of the Group. Mr. Ho is responsible for financial management, compliance reporting and company secretarial affairs of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants. He has more than 10 years of auditing and accounting experiences. Prior to joining the Group, he has worked in international certified public accountants firms. Mr. Ho holds a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University.



Directors' Report

The Directors are pleased to present to the shareholders their annual report together with the audited consolidated financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 12 to the consolidated financial statements. The principal activities of the Group are provision of food and beverage services.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2016 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 36 to 100.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2016.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2016 and the assets and liabilities of the Group as at 31 March 2012, 2013, 2014, 2015 and 2016 are set out on pages 101 and 102.

PLANT AND EQUIPMENT

The Group purchased and disposed of plant and equipment in the amount of approximately HK\$22,699,000 and HK\$16,973,000, respectively, during the year ended 31 March 2016. Detailed movements in plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20(a) to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 40 and note 21 to the consolidated financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 30 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The details of connected transactions during the year under the GEM Listing Rules are set out in note 30 to the consolidated financial statements. These connected transactions fall under the definition of "connected transaction" in Chapter 20 of the GEM Listing Rules and the Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Director:

Mr. Tang Sing Ming Sherman (*Chairman*)

Independent non-executive Directors:

Mr. Bhanusak Asvaintra

Mr. Chan Kam Fai Robert

Mr. Chung Kwok Keung Peter

In accordance with Articles 87(1) of the Company's Articles of Association, Mr. Chan Kam Fai Robert shall retire from office and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

The term of independent non-executive directorships of Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter under each of their respective letter of appointment is 3 years from 18 February 2016 to 17 February 2019 unless terminated by either party giving to the other not less than 1 month notice.

The executive Director, Mr. Tang Sing Ming Sherman, had entered into a service contract for 3 years commencing from 18 February 2016. The said service contract may be terminated by either party at any time by giving to the other not less than 1 month written notice or payment of salary in lieu of notice.



Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (cont'd)

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31 March 2016 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 20 to 21 of this Annual Report.

SHARE OPTIONS

The Company has adopted a share option scheme on 26 February 2003 ("Old Share Option Scheme") and a share option scheme on 20 July 2012 ("New Share Option Scheme") (collectively referred to as "the Share Option Schemes"). The Old Share Option Scheme has terminated on the date when the New Share Option Scheme came into effect, while the provisions of the Old Share Option Scheme shall remain in force and all existing options granted under the Old Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance therewith. The details of the Share Option Schemes are as follows:

Share Option Schemes

The purpose of the Share Option Schemes is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Share Option Schemes, the committee (the "Committee") which was authorized and charged by the Board with the administration of the Share Option Schemes may, at any time, offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive Director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his or her work experience, knowledge in the industry and other relevant factors, options ("Share Options") to subscribe for such number of shares as the Committee may determine at the exercise price.

SHARE OPTIONS (cont'd)

Share Option Schemes (cont'd)

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Share Option Schemes or any other schemes of the Company) under the Share Option Schemes shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including exercised, cancelled and outstanding options) granted or to be granted in any twelve months period shall not exceed 1% of the total number of shares in issue, provided that options may be issued in excess of such limit if the new grant exceeding 1% of the total number of shares in issue shall have been approved by shareholders of the Company in a general meeting at which the proposed grantee and his associates shall have abstained from voting.

Options may be exercised in whole or in part in the manner provided in the Share Option Schemes by a grantee (or, as the case may be, by his or her legal personal representative) giving notice in writing to the Company after it has vested at any time during the period (the "Option Period"), which shall be not more than ten years from the date an option is offered (the "Offer Date"). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the "Exercise Price") in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date.

provided that the Exercise Price shall not be lower than the nominal value of the shares.

As at 31 March 2016, Share Options to subscribe for an aggregate of 33,000,000 shares (representing approximately 1.2% of the enlarged issued share capital of the Company) have been granted to the director and employees of the Group.

Detailed movements of share options granted under the Share Option Schemes are set out in note 26 to the consolidated financial statements.



Directors' Report

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

As at 31 March 2016, 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 Sing Ming Sherman ("Mr. Tang") (Note 2)	Beneficiary of a trust Beneficial owner	1,173,810,083 (Note 1) 500,000,000	42.26% 18.00%

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 1,173,810,083 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 International Trustee 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.
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 March 2016.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (cont'd)

(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 according to the Share Option Schemes:

Name	Date of grant	Exercise price per share HK\$	Exercisable period	Approximate percentage of the issued share capital (Note 3)	Number of share options outstanding
Mr. Tang (Note 2)	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.18%	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
					25,000,000

Notes:

- The said 500,000,000 shares, held by Mr. Tang, represent the total number of conversion shares attaching to the Convertible Bond in the principal sum of HK\$40 million which would be allotted and issued upon full conversion at the conversion price of HK\$0.08 per share.
- Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.
- Based on 2,777,450,000 shares of the Company in issue as at 31 March 2016.



Directors' Report

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (cont'd)

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

Name of Director	Name of associated corporation	Capacity	Number of ordinary share	Approximate percentage of attributable interest in corporation
Mr. Tang (Note 1)	First Glory (Note 2)	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 International Trustee 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 (Note 2)	Beneficial owner	HK\$40 million (Note 1)

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\$0.08 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 March 2016, 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 March 2016, 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 and underlying shares	Approximate percentage of the issued capital (Note 4)
Mr. Tang	Beneficial owner	1,025,000,000 (Note 3)	36.91%
	Beneficiary of a trust (Note 1)	1,173,810,083	42.26%
HSBC International Trustee 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 2)	Interest in spouse	2,198,810,083	79.17%

Notes:

- 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 International Trustee Limited in its capacity as the trustee of the Family Trust.
- 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.
- The said 1,025,000,000 shares of the Company comprises 500,000,000 ordinary shares of the Company held by Mr. Tang, 500,000,000 underlying shares which would be issued upon conversion of the Convertible Bond in full and 25,000,000 underlying shares which would be issued upon exercise of all the share options of the Company held by Mr. Tang.
- Based on 2,777,450,000 shares of the Company in issue as at 31 March 2016.

Directors' Report

SHARE OPTIONS

As at 31 March 2016, options under Share Option Schemes to subscribe for an aggregate of 33,000,000 shares have been granted to a total of one director and two employees of the Group, details as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2014	Lapsed during the year	Outstanding at 31.3.2015 and 1.4.2015	Exercised during the year	Outstanding at 31.3.2016
Category 1:								
Directors								
Mr. Tang	23.12.2011	23.12.2012 – 22.12.2021	0.062	5,000,000	–	5,000,000	–	5,000,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000	–	5,000,000	–	5,000,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,000,000	–	5,000,000	–	5,000,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	5,000,000	–	5,000,000	–	5,000,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	5,000,000	–	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	(1,000,000)	–
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000	(500,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	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	(1,000,000)	–
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000	(500,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	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	(1,000,000)	–
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000	(500,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	500,000	(500,000)	–

SHARE OPTIONS (cont'd)

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2014	Lapsed during the year	Outstanding at 31.3.2015 and 1.4.2015	Exercised during the year	Outstanding at 31.3.2016
Category 2:								
Employees	23.3.2010	23.3.2011 – 22.3.2020	0.210	2,000,000	-	2,000,000	-	2,000,000
	13.8.2010	13.8.2011 – 12.8.2020	0.138	5,000,000	-	5,000,000	(2,000,000)	3,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	5,000,000	-	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	(3,400,000)	-
	23.12.2011	23.12.2013 – 22.12.2021	0.062	4,500,000	-	4,500,000	(4,500,000)	-
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,600,000	-	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	(5,500,000)	-
	19.4.2013	19.4.2015 – 18.4.2023	0.090	6,500,000	(1,000,000)	5,500,000	(5,500,000)	-
Total of all categories				69,500,000	(2,000,000)	67,500,000	34,500,000	33,000,000

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float under the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Article 167(1) of the Articles of Association of the Company provides that every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. A Directors' Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.



Directors' Report

COMPETING INTERESTS

None of the directors, the controlling shareholders or their respective close 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, Xia Xiao Fei 霞小飛, 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, Osteria Felice and Han Nya Tou 般若湯 ("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 (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.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 1.3% of the total sales for the year and sales to the largest customer included therein amounted to approximately 0.7%. Purchase from the Group's five largest suppliers accounted for approximately 21.9% of the total purchase for the year and purchase from the largest supplier included therein amounted to approximately 6.5%.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers or customers during the year.

MANAGEMENT CONTRACTS

No contracts concerning to the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tang Sing Ming Sherman

Chairman

Hong Kong, 27 June 2016



Independent Auditor's Report

大信梁學濂(香港)會計師事務所

PKF

Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EPICUREAN AND COMPANY, LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Epicurean and Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 100, which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements base on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 March 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2(d) to the consolidated financial statements which indicates that the Group incurred a net loss of HK\$38,634,000 for the year ended 31 March 2016 and as of that date, the Group had net current liabilities and net liabilities of HK\$67,268,000 and HK\$441,000 respectively. These conditions, along with other matters as set forth in note 2(d) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

PKF

Certified Public Accountants

Hong Kong, 27 June 2016

Consolidated Statement of Profit or Loss

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	4	442,871	505,991
Cost of sales		(144,389)	(159,999)
Gross profit		298,482	345,992
Other income	5	3,526	1,851
Gain on disposal of subsidiaries	33	11,539	–
Impairment loss on goodwill	13	(4,293)	–
Impairment loss on other intangible assets	14	(3,147)	–
Impairment loss on plant and equipment	11	(5,648)	(2,185)
Operating expenses		(328,980)	(372,840)
Operating loss		(28,521)	(27,182)
Finance costs	6(a)	(6,215)	(7,709)
Loss before income tax	6	(34,736)	(34,891)
Income tax expense	8(a)	(3,898)	(2,021)
Loss for the year		(38,634)	(36,912)
Loss for the year attributable to:–			
Owners of the Company		(38,705)	(36,643)
Non-controlling interests		71	(269)
		(38,634)	(36,912)
Loss per share (HK cents)	10		
– Basic		(1.55)	(1.63)
– Diluted		N/A	N/A

The notes on pages 43 to 100 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016



Note	2016 HK\$'000	2015 HK\$'000
Loss for the year	(38,634)	(36,912)
Other comprehensive income:-		
Items that may be subsequently reclassified to profit or loss:-		
Exchange gain arising from translation of financial statements of foreign operations	264	279
Other comprehensive income for the year, net of tax	264	279
Total comprehensive loss for the year	(38,370)	(36,633)
Total comprehensive loss for the year attributable to:-		
Owners of the Company	(38,441)	(36,364)
Non-controlling interests	71	(269)
	(38,370)	(36,633)

The notes on pages 43 to 100 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment	11	30,118	56,761
Goodwill on consolidation	13	55,095	60,031
Other intangible assets	14	20,133	26,468
Deferred tax assets	15	5,044	11,235
		110,390	154,495
CURRENT ASSETS			
Inventories	16	4,917	6,434
Debtors, deposits and prepayments	17	35,532	51,847
Income tax recoverable		1,174	120
Cash and cash equivalents	18	39,971	49,628
		81,594	108,029
DEDUCT:			
CURRENT LIABILITIES			
Convertible bonds	25	–	79,625
Loans from a director	24	71,716	81,700
Obligations under finance lease	22	238	698
Bank loans, secured	23 & 28	24,888	26,293
Creditors, accruals and deposits received	19	51,794	69,500
Income tax payable		226	2,840
		148,862	260,656
NET CURRENT LIABILITIES		(67,268)	(152,627)

Consolidated Statement of Financial Position (cont'd)

As at 31 March 2016



	Note	2016 HK\$'000	2015 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		43,122	1,868
<hr/>			
NON-CURRENT LIABILITIES			
Convertible bonds	25	38,563	–
Deferred tax liabilities	15	1,986	2,788
Other payables	19	2,835	3,502
Obligations under finance lease	22	179	–
		43,563	6,290
<hr/>			
NET LIABILITIES		(441)	(4,422)
<hr/>			
REPRESENTING:			
<hr/>			
EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY			
Share capital	20	27,775	22,430
Reserves	21	(27,403)	(27,508)
		372	(5,078)
NON-CONTROLLING INTERESTS		(813)	656
TOTAL EQUITY		(441)	(4,422)

The notes on pages 43 to 100 form part of these consolidated financial statements.

**Approved and authorized for issue by
the Board of Directors on 27 June 2016**

Tang Sing Ming Sherman
Director

Bhanusak Asvaintra
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	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	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 - Note 26	-	-	-	-	-	246	-	-	246	-	246
Share options lapsed	-	46	-	-	-	(46)	-	-	-	-	-
Comprehensive loss											
Loss for the year	-	(36,643)	-	-	-	-	-	-	(36,643)	(269)	(36,912)
Other comprehensive income:-											
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	279	-	-	-	279	-	279
Total comprehensive loss for the year	-	(36,643)	-	-	279	-	-	-	(36,364)	(269)	(36,633)
At 31.3.2015 and 1.4.2015	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 - Note 26	-	-	-	-	-	9	-	-	9	-	9
Release upon disposal of subsidiaries - Note 33	-	-	-	-	(566)	-	-	-	(566)	(1,540)	(2,106)
Exercise of share option - Note 26	345	-	3,640	-	-	(974)	-	-	3,011	-	3,011
Extension of convertible bonds	-	2,521	-	-	-	-	260	-	2,781	-	2,781
Conversion of convertible bonds - Note 25	5,000	-	35,047	-	-	-	(1,391)	-	38,656	-	38,656
Comprehensive loss											
Loss for the year	-	(38,705)	-	-	-	-	-	-	(38,705)	71	(38,634)
Other comprehensive income:-											
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	264	-	-	-	264	-	264
Total comprehensive loss for the year	-	(38,705)	-	-	264	-	-	-	(38,441)	71	(38,370)
At 31.3.2016	27,775	(207,068)	173,887	3,801	(210)	1,055	1,390	(258)	372	(813)	(441)

The notes on pages 43 to 100 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(34,736)	(34,891)
Adjustments for:			
Foreign exchange loss		206	798
Interest income		(5)	(3)
Reversal on provision of reinstatement costs		(804)	–
Interest on secured bank loans, repayable within five years		795	726
Interest expense on convertible bonds		1,220	1,600
Imputed interest expense on convertible bonds		375	943
Finance charges on obligations under finance lease		15	37
Depreciation of plant and equipment		31,002	35,025
Loss/(gain) on disposal of plant and equipment		508	(769)
Amortization of other intangible assets		2,131	1,476
Equity-settled share-based payment expenses		9	246
Impairment loss on plant and equipment		5,648	2,185
Impairment loss on goodwill		4,293	–
Impairment loss on other intangible assets		3,147	–
Gain on disposal of subsidiaries	33	(11,539)	–
Operating profit before working capital changes		2,265	7,373
Decrease/(increase) in inventories		270	(1,153)
Increase in debtors, deposits and prepayments		(2,817)	(2,261)
(Decrease)/increase in creditors, accruals and deposits received		(2,313)	7,168
Cash generated (used in)/from operations		(2,595)	11,127
Income tax paid		(4,057)	(2,031)
Interest received		5	3
Interests paid on bank loans, repayable within five years		(751)	(686)
Interest paid on convertible bonds		–	(802)
Finance charges on obligations under finance lease		(15)	(37)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(7,413)	7,574

Consolidated Statement of Cash Flows (cont'd)

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of plant and equipment		(21,867)	(27,682)
Net cash outflow arising from business combination	32	(3,859)	–
Decrease in pledged bank deposit		–	614
Sales proceeds from disposal of plant and equipment		227	–
Net cash outflow arising on disposal of subsidiaries	33	(14,019)	–
Payment for acquisition of other intangible assets		(386)	(522)
Payment for acquisition of additional non-controlling interests		–	(85)
NET CASH USED IN INVESTING ACTIVITIES		(39,904)	(27,675)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued on exercise of share options		3,011	–
Increase in loan from a director		35,016	37,200
Capital element of finance lease rentals paid		(756)	(741)
Repayments of secured bank loans		(49,295)	(64,477)
Proceeds from new secured bank loans		49,835	70,982
NET CASH FROM FINANCING ACTIVITIES		37,811	42,964
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,506)	22,863
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR		49,628	27,233
EFFECT OF EXCHANGE RATES CHANGES		(151)	(468)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	18	39,971	49,628

The notes on pages 43 to 100 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



1. GENERAL INFORMATION

Epicurean and Company, Limited (the “Company”) was incorporated in the Cayman Islands on 13 November 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal place of its business is 8/F., Pedder Building, 12 Pedder Street, Central, Hong Kong. The Company and its subsidiaries (collectively referred to as the “Group”) is engaged in the provision of food and beverage services.

The Company is listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“HK(IFRIC) – Int”) 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following revised standards, amendments and interpretations (“revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2015:–

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements (2010-2012)	Amendments to HKFRS 8, HKAS 16, HKAS 24 and HKAS 38
Annual Improvements (2011-2013)	Amendments to HKFRS 3, HKFRS 13 and HKAS 40

The initial application of these revised HKFRSs have no significant impact in the current year financial information and did not necessitate retrospective adjustments of the comparatives presented in the consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. BASIS OF PREPARATION (cont'd)

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 March 2016 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 April 2015:-

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Annual Improvements to HKFRSs 2012-2014 Cycle	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 April 2016

² Effective for annual periods beginning on or after 1 April 2018

³ Effective for an entity that first adopts HKFRS for its annual financial statements beginning on or after 1 April 2016 and therefore is not applicable to the Group

⁴ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these standards and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



2. BASIS OF PREPARATION (cont'd)

(d) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on going concern basis notwithstanding that the Group incurred a loss of HK\$38,634,000 for the year ended 31 March 2016 and as of that date, the Group had net current liabilities and net liabilities of HK\$67,268,000 and HK\$441,000 respectively as the Directors considered that:-

- (1) Mr. Tang Sing Ming Sherman ("Mr. Tang"), who, as at 31 March 2016, provided loans to the Group of HK\$71,716,000 and is the sole beneficial owner of all 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 which hold 60.26% interest in the Company altogether; and
- (2) The Group had unutilized banking facilities of HK\$15,862,000 as at 31 March 2016. 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 when the 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 consolidated financial statements to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements are prepared under the historical cost basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Business combination and goodwill (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(d) Revenue recognition

Revenue from provision of food and beverage services including services charges is recognized when catering services are provided.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Franchise fee income is recognized at the time when the initial services are rendered.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, are charged to the profit or loss in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalized as an additional cost of the asset.

Depreciation is calculated to write down the cost of plant and equipment to their estimated residual values on a straight-line basis over their estimated useful lives at following annual rates and bases:-

Furniture, fixtures and equipment	10% to 50% or over the lease term whichever is shorter
Leasehold improvement	10% to 33.33% or over the lease term whichever is shorter
Motor vehicles	20% to 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognized in the profit or loss on the date of retirement or disposal.

(f) Intangible assets (Other than goodwill)

Intangible assets are stated at cost less accumulated amortization and impairment losses.

Development costs are capitalized only when it can be demonstrated that completing the development is technically and financially feasible, the product under development will generate probable future economic benefits through sale or use, and the development expenditure can be measured reliably. Development costs which do not meet these criteria are expensed when incurred.

Amortization is calculated to write off the costs of intangible assets over their estimated useful lives on a straight line basis as follows:-

Trade mark acquired	5 to 20 years
Franchise rights acquired	5 to 20 years
Brand name	10 to 15 years



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Interests in subsidiaries

Interests in subsidiaries are stated in the Company's statement of financial position at cost less any identified impairment loss. Income from subsidiaries is recognized in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(h) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months at the end of reporting period.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor without intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investments (cont'd)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months at the end of reporting period.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have been expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit or loss in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains or losses from investment securities.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investments (cont'd)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative losses – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss – is removed from equity and recognized in the profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

(i) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged. For derivative financial assets that are linked to unquoted equity instruments, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and must be settled by delivery of such unquoted equity instruments, it is carried at cost less impairment.

(j) Financial guarantees issued, provisions and contingent liabilities

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial guarantees issued, provisions and contingent liabilities (cont'd)

(i) *Financial guarantees issued (cont'd)*

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 3(j)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with note 3(j)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(j)(iii).

(iii) *Other provisions and contingent liabilities*

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Borrowings and payables

Borrowings and payables are stated at amortized cost using the effective interest method.

(l) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both liability component and equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognized as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the convertible bonds equity reserve until either the note is converted or redeemed. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to accumulated profit or loss. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

If the note is converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bonds equity reserve is released directly to accumulated profit or loss.

The liability component (or part of the liability component) of the convertible bonds is derecognized when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expired.

A significant modification of the terms of the convertible bonds is accounted for as recognition of a new compound instrument and an extinguishment of the original compound instrument before maturity. The difference between the carrying amount of the original liability component extinguished and its fair value at the date of modification is recognized in profit or loss. The difference between the fair value at the date of modification of the original liability component extinguished and the fair value of the newly recognized liability component is recognized in the convertible bonds equity reserve. The carrying amount of the equity component of the original compound instrument extinguished is released from convertible bonds equity reserve to accumulated profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Employee benefits

Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognized as an expense in profit or loss as incurred.

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The fair value of share options granted to employees measured at the grant date and is adjusted for the estimated number of shares that will eventually be vested is recognized as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in an employee share-based compensation reserve.

For the purposes of diluted earnings per share, the exercise price of the options is adjusted for the cost of employee services to render in the remaining vesting period.

(n) Impairment of assets

Assets that have indefinite useful lives are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Borrowing costs (cont'd)

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred. Borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(p) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimates costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(q) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognized in the consolidated financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realized.

Deferred tax is charged or credited to the profit or loss, except when it relates to items recognized in other comprehensive income or directly to equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(s) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance lease. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(n). Finance charges implicit in the lease payments are charged to the profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Leases (cont'd)

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

(t) Related parties

A person or a close member of that person's family is related to the Group if that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Company or of a parent of the Group.

An entity is related to the Group if (i) the entity and the Group are members of the same group of companies; (ii) the entity is an associate or joint venture of either the Group or a member of a group of which the Group is a member; (iii) the Group is an associate or joint venture of either the entity or a member of a group of which the entity is a member; (iv) the entity and the Group are joint ventures of the same third party; (v) the entity is a joint venture of a third entity and the Group is an associate of that third entity; (vi) the Group is a joint venture of a third entity and the entity is an associate of that third entity; (vii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (viii) the entity is controlled or jointly controlled by a person related to the Group or a close member of that person's family; (ix) a person who has control or joint control over the Group has significant influence over the entity; or (x) a person who has control or joint control over the Group is a member of the key management personnel of the entity (or of a parent of the entity).

(u) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Foreign currency translation (cont'd)

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of reporting period and the exchange differences arising are recognized in the profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognized in the profit or loss, except for the exchange component of a gain or loss that is recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognized as a separate component of equity. Such translation differences are recognized in the profit or loss for the year in which the foreign operation is disposed of.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not material individually may be aggregated if they share a majority of these criteria.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has only one business segment for current year.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Critical accounting estimate and judgements

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognized in the financial statements are disclosed below:—

(i) Estimated useful lives of tangible and intangible assets

The Group estimates the useful lives of tangible and intangible assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilization and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of tangible and intangible assets would increase depreciation charges and decrease non-current assets.

(ii) Impairment of fixed assets, goodwill and other non-current assets

Determining whether fixed assets, goodwill and other non-current assets are impaired requiring an estimation of the value in use of the cash-generating units to which the fixed assets, goodwill and other non-current assets have been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value.

(iii) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilized.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Critical accounting estimate and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(iv) Fair value of identifiable assets and liabilities acquired through business combination

The Group applies the acquisition method to account for business combination, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired.

(v) Fair values of share options granted

The Group appointed an independent professional valuer to assess the fair values of the share options granted. In determining the fair values, the valuer has utilized a method of valuation which involves certain estimates. The directors have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Any change in estimates may affect the fair values of the share options granted significantly.

(vi) Going concern

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. As disclosed in Note 2(d), the validity of the going concern assumptions depends upon (i) the continuing financial support from Mr. Tang Sing Ming Sherman, who is the sole beneficial owner of all the convertible bonds issued by the Company, the executive director of the Company and one of the beneficiaries of a family trust which hold 60.26% interest in the Company altogether at 31 March 2016 and (ii) those unutilized banking facilities of the Group.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

4. REVENUE

Revenue represents invoiced value recognized in respect of provision of food and beverage services, net of discounts and business tax, during the year. An analysis of the revenue recorded for the year is set out below:–

	2016	2015
	HK\$'000	HK\$'000
Provision of food and beverage services and others	442,871	505,991

5. OTHER INCOME

	2016	2015
	HK\$'000	HK\$'000
Interest income	5	3
Service fee income	1,909	1,410
Franchise income	174	51
Reversal on provision of reinstatement costs	804	–
Miscellaneous items	634	387
	3,526	1,851

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



6. LOSS BEFORE INCOME TAX

	2016 HK\$'000	2015 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
(a) Finance costs:-		
Interest expenses on secured bank loans, repayable within five years	795	726
Interest expense on convertible bonds	1,220	1,600
Imputed interest expense on convertible bonds – Note 25	375	943
Finance charge on obligations under finance lease	15	37
Other bank charges	3,810	4,403
	6,215	7,709
(b) Other items:-		
Amortization of other intangible assets	2,131	1,476
Depreciation	31,002	35,025
Auditor's remuneration	1,201	1,294
Exchange loss	206	798
Operating lease rentals for properties	91,108	103,551
Directors' remuneration – Note 7(a)	490	602
Other staff salaries and benefits	130,084	145,727
Retirement scheme contributions	6,242	6,600
Equity-settled share-based payment expenses	5	130
Other staff costs	136,331	152,457
Cost of inventories sold	144,389	159,999
Loss/(gain) on disposal of plant and equipment	508	(769)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

- (a) Pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the Group to the Directors during the year were as follows:–

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Equity- settled share-based payment expenses HK\$'000	Total HK\$'000
2015					
<i>Executive Director:</i>					
Mr. Tang	–	120	6	113	239
<i>Independent non-executive Directors:</i>					
Mr. Bhanusak Asvaintra	120	–	–	1	121
Mr. Chan Kam Fai Robert	120	–	–	1	121
Mr. Chung Kwok Keung Peter	120	–	–	1	121
	360	–	–	3	363
	360	120	6	116	602

No directors waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

- (a) Pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the Group to the Directors during the year were as follows:- (cont'd)

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Equity- settled share-based payment expenses HK\$'000	Total HK\$'000
2016					
<i>Executive Director:</i>					
Mr. Tang	-	120	6	4	130
<i>Independent non-executive Directors:</i>					
Mr. Bhanusak Asvaintra	120	-	-	-	120
Mr. Chan Kam Fai Robert	120	-	-	-	120
Mr. Chung Kwok Keung Peter	120	-	-	-	120
	360	-	-	-	360
	360	120	6	4	490

No directors waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Five highest paid individuals

The remuneration of employees who were not Directors during the year and who were amongst the five (2015: five) highest paid individuals of the Group were as follows:-

	2016 HK\$'000	2015 HK\$'000
Basic salaries, allowances and benefits in kind	4,684	4,071
Equity-settled share-based payment expenses	3	106
Retirement scheme contributions	90	90
	4,777	4,267

The number of employees whose remuneration fell within the following band was as follow:-

	2016	2015
Nil – HK\$1,000,000	3	5
HK\$1,000,001 – HK\$1,500,000	2	–

8. INCOME TAX EXPENSE

(a) Taxation in the profit or loss represents:-

	2016 HK\$'000	2015 HK\$'000
Current tax	2,863	4,500
Deferred tax – Note 15	1,035	(2,479)
Income tax expense	3,898	2,021

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016



8. INCOME TAX EXPENSE (cont'd)

- (a) Taxation in the profit or loss represents:- (cont'd)
- (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 (2015: Hong Kong – 16.5%, PRC – 25%, Taiwan – 17% and Japan – 15% respectively).
- (b) The income tax for the year can be reconciled to the loss before income tax for the year as follows:-

	2016 HK\$'000	2015 HK\$'000
Loss before income tax	(34,736)	(34,891)
Tax effect at the Hong Kong profits tax rate of 16.5% (2015: 16.5%)	(5,731)	(5,757)
Tax rates differential	1,750	1,483
Tax effect of income that is not taxable	(2,147)	(21)
Tax effect of expenses that are not deductible	4,318	1,236
Tax effect of unused tax losses not recognized	5,788	5,261
Tax refund	(80)	(181)
Income tax expense	3,898	2,021



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8. INCOME TAX EXPENSE (cont'd)

- (c) The components of unrecognized deductible temporary differences in certain subsidiaries of the Company were as follows:–
- (i) The unutilized tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$40,016,000 (2015: approximately HK\$29,508,000) can be carried forward indefinitely. The unutilized tax losses accumulated in PRC subsidiaries amounted to approximately HK\$24,520,000 (2015: approximately HK\$6,728,000) can be carried forward for five years. The unutilized tax losses accumulated in Taiwan subsidiary amounted to approximately HK\$2,035,000 (2015: HK\$Nil) can be carried forward for 10 years. The unutilized tax losses accumulated in Japan subsidiaries amounted to HK\$Nil (2015: approximately HK\$4,935,000) can be carried forward for seven years. Deductible temporary differences have not been recognized owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.
 - (ii) Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, the gross amount of dividends received by the Company's subsidiary incorporated in Hong Kong from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5%. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, no deferred tax liability was provided as no profit is expected to be distributed by the PRC subsidiaries in the foreseeable future. As at 31 March 2016, the undistributed profits of the PRC subsidiaries amounted to approximately HK\$2,758,000 (2015: approximately HK\$1,709,000). The corresponding unrecognized deferred tax liabilities were amounted to approximately HK\$137,900 (2015: approximately HK\$85,000).

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9. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 March 2016 and 2015.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$38,705,000 (2015: HK\$36,643,000) and the weighted average number of ordinary shares of 2,497,757,000 (2015: 2,242,950,000 ordinary shares) in issue during the year ended 31 March 2016.

The weighted average number of ordinary shares adopted in calculation of basic loss per share for the years ended 31 March 2016 and 2015 have been adjusted to reflect the impact of the share options exercised and conversion of convertible bond effected during the year ended 31 March 2016.

	2016 HK\$'000	2015 HK\$'000
Loss for the year attributable to the owners of the Company	38,705	36,643

Weighted average number of ordinary shares

	2016 '000	2015 '000
Issued ordinary shares at the beginning of the year	2,242,950	2,242,950
Effect of share option exercised	15,736	–
Effect of conversion of convertible bonds	239,071	–
Issued ordinary shares at the end of the year	2,497,757	2,242,950

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2016 and 2015.

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11. PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1.4.2014	69,164	46,016	955	116,135
Exchange adjustment	6	18	–	24
Additions	17,376	15,602	–	32,978
Disposal	(7,945)	(4,903)	–	(12,848)
At 31.3.2015	78,601	56,733	955	136,289
Accumulated depreciation:				
At 1.4.2014	29,562	17,455	453	47,470
Exchange adjustment	7	64	–	71
Charge for the year	22,326	12,512	187	35,025
Written back on disposal	(4,897)	(3,375)	–	(8,272)
At 31.3.2015	46,998	26,656	640	74,294
Impairment loss:				
At 1.4.2014	3,736	2,709	–	6,445
Charge for the year	782	1,403	–	2,185
Written back on disposal	(2,036)	(1,360)	–	(3,396)
At 31.3.2015	2,482	2,752	–	5,234
Net book value:				
At 31.3.2015	29,121	27,325	315	56,761
Cost:				
At 1.4.2015	78,601	56,733	955	136,289
Exchange adjustment	22	62	–	84
Business combination – Note 32	–	1,645	–	1,645
Additions	13,368	8,856	475	22,699
Disposal of subsidiaries – Note 33	(29,839)	(10,235)	–	(40,074)
Disposal	(7,797)	(8,345)	(831)	(16,973)
At 31.3.2016	54,355	48,716	599	103,670
Accumulated depreciation:				
At 1.4.2015	46,998	26,656	640	74,294
Exchange adjustment	52	44	–	96
Charge for the year	16,720	14,103	179	31,002
Disposal of subsidiaries – Note 33	(18,959)	(6,820)	–	(25,779)
Written back on disposal	(6,887)	(6,224)	(699)	(13,810)
At 31.3.2016	37,924	27,759	120	65,803
Impairment loss:				
At 1.4.2015	2,482	2,752	–	5,234
Exchange adjustment	30	14	–	44
Charge for the year	3,753	1,895	–	5,648
Disposal of subsidiaries – Note 33	(676)	(73)	–	(749)
Written back on disposal	(747)	(1,681)	–	(2,428)
At 31.3.2016	4,842	2,907	–	7,749
Net book value:				
At 31.3.2016	11,589	18,050	479	30,118

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11. PLANT AND EQUIPMENT (cont'd)

At 31 March 2016, the carrying amount of plant and equipment held under finance lease was approximately HK\$409,000 (2015: approximately HK\$680,000).

The directors considered that there was an indication of impairment for plant and equipment as the Group's certain operation result was worse than expected. As a result, a full impairment loss of HK\$5,648,000 (2015: HK\$2,185,000) was made for the year ended 31 March 2016.

12. INTERESTS IN SUBSIDIARIES

	2016 HK\$'000	2015 HK\$'000
Unlisted shares – Note 12(a)	–	–
Amounts due from subsidiaries – Note 12(c)	136,047	139,846
	136,047	139,846
<i>Less:</i> Impairment loss on amounts due from subsidiaries	(82,731)	(41,759)
	53,316	98,087

(a) The carrying value of the Company's interests in the subsidiaries as at 31 March 2016 is determined by the Directors on the basis of the underlying assets of the subsidiaries at the time they were acquired by the Company pursuant to the reorganization which took place on 6 December 2001.

(b) Details of the principal subsidiaries are as follows:–

Name of company	Place of incorporation/ establishment	Attributable equity interest %		Issued/ registered capital	Principal activities
		Direct	Indirect		
Marvel Success Limited ("Marvel Success")	BVI	100	–	US\$1	Investment holding
Epicurean Management (Asia) Limited ("EMAL")	Hong Kong	–	100	HK\$1	Provision of management services
I. T. H. K. Limited ("ITHK")	Hong Kong	–	100	HK\$300,000	Provision of food and beverage services

Notes to the Consolidated Financial Statements

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12. INTERESTS IN SUBSIDIARIES (cont'd)

(b) Details of the principal subsidiaries are as follows:- (cont'd)

Name of company	Place of incorporation/ establishment	Attributable equity interest %		Issued/ registered capital	Principal activities
		Direct	Indirect		
意紅(上海)餐飲管理有限公司	PRC	-	100	RMB6,500,000	Provision of food and beverage services
意紅(上海)食品有限公司	PRC	-	100	RMB1,800,000	Provision of food and beverage services
大利紅(深圳)餐飲管理有限公司	PRC	-	100	RMB3,500,000	Provision of food and beverage services
Ginza Bairin (Greater China) Holdings Limited	Hong Kong	-	100	HK\$2,000,000	Franchise and investment holdings
Everblooming Limited	Hong Kong	-	100	HK\$1	Provision of food and beverage services
銀林(上海)餐飲有限公司	PRC	-	100	US\$1,000,000	Provision of food and beverage services
Shirokuma (STC) Limited	Hong Kong	-	98	HK\$1	Provision of food and beverage services
Shirokuma (YTW) Limited	Hong Kong	-	98	HK\$1	Provision of food and beverage services
Shirokuma (TF) Limited	Hong Kong	-	98	HK\$1	Provision of food and beverage services
白熊(上海)餐飲管理有限公司	PRC	-	98	US\$1,000,000	Provision of food and beverage services
Enmaru (CWB) Limited	Hong Kong	-	90	HK\$1	Provision of food and beverage services

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12. INTERESTS IN SUBSIDIARIES (cont'd)

(b) Details of the principal subsidiaries are as follows:- (cont'd)

Name of company	Place of incorporation/ establishment	Attributable equity interest %		Issued/ registered capital	Principal activities
		Direct	Indirect		
炎丸(上海)餐飲管理 有限公司	PRC	-	100	US\$700,000	Provision of food and beverage services
香港商大利紅有限公司 台灣分公司	Taiwan	-	100	TWD1,000,000	Provision of food and beverage services

(c) The amounts are interest-free, unsecured and have no fixed repayment term. The Directors consider that the carrying amounts of amounts due from subsidiaries approximate their fair values.

13. GOODWILL ON CONSOLIDATION

	2016 HK\$'000	2015 HK\$'000
Cost:		
At the beginning of the year	60,031	60,031
Business combination – Note 32	2,565	–
Disposal of subsidiaries – Note 33	(3,208)	–
At the end of the year	59,388	60,031
Impairment:		
At the beginning of the year	–	–
Charge for the year	4,293	–
At the end of the year	4,293	–
Carrying amount:		
At the end of the year	55,095	60,031

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13. GOODWILL ON CONSOLIDATION (cont'd)

Impairment tests for cash-generating units ("CGU") contain the measurement of goodwill. Goodwill (before recognition of impairment loss) is allocated to the Group's CGU identified according to the following operations:—

	2016 HK\$'000	2015 HK\$'000
Restaurants, café and cake shops	56,823	56,823
Shanghainese dining restaurants	—	2,141
Food processing solutions and catering services	—	1,067
Logistic and production centre	2,565	—
	59,388	60,031

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated. The cash flows are discounted using pre-tax discount rates ranging from 12.41% to 20.43% (2015: 13.11% to 21.23%).

The followings describe each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

— *Budgeted turnover*

The basis used to determine the budgeted turnover is the expected growth rate of the market based on past history and experience.

— *Budgeted gross margins*

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the first budgeted year, increased for expected efficiency improvements.

— *Business environment*

There will be no major changes in the existing political, legal and economic conditions in Hong Kong in which the assessed entity carries on its business.

For the year ended 31 March 2016, management determines that except for impairment loss on goodwill of approximately HK\$1,728,000 (2015: Nil) relates to the operations of restaurants, cafe and cake shops and approximately HK\$2,565,000 (2015: Nil) relates to the operations of logistic and production centre, no any other impairment on goodwill based on a value in use is considered necessary. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

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14. OTHER INTANGIBLE ASSETS

	Trademark HK\$'000	Franchise rights HK\$'000	Brand name HK\$'000	Total HK\$'000
Cost:				
At 1.4.2014	1,057	24,527	3,636	29,220
Additions	189	333	–	522
Exchange adjustment	–	(24)	–	(24)
At 31.3.2015	1,246	24,836	3,636	29,718
Accumulated amortization:				
At 1.4.2014	42	866	866	1,774
Charge for the year	118	987	371	1,476
At 31.3.2015	160	1,853	1,237	3,250
Net book value:				
At 31.3.2015	1,086	22,983	2,399	26,468
Cost:				
At 1.4.2015	1,246	24,836	3,636	29,718
Business combination - Note 32	1,772	–	–	1,772
Additions	48	338	–	386
Disposal of subsidiaries - Note 33	(479)	(824)	(3,636)	(4,939)
Exchange adjustment	–	(4)	–	(4)
At 31.3.2016	2,587	24,346	–	26,933
Accumulated amortization:				
At 1.4.2015	160	1,853	1,237	3,250
Charge for the year	529	1,421	181	2,131
Disposal of subsidiaries - Note 33	(36)	(274)	(1,418)	(1,728)
At 31.3.2016	653	3,000	–	3,653
Impairment loss:				
At 1.4.2015	–	–	–	–
Charge for the year	1,631	1,516	–	3,147
At 31.3.2016	1,631	1,516	–	3,147
Net book value:				
At 31.3.2016	303	19,830	–	20,133

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

15. DEFERRED TAX

The followings were deferred tax (assets)/liabilities recognized by the Group and movements thereon during the year:-

	Tax losses HK\$'000	(Decelerated)/ accelerated depreciation allowances HK\$'000	Brand name HK\$'000	Total HK\$'000
At 1.4.2014	(6,432)	(30)	514	(5,948)
Credit for the year – Note 8(a)	(817)	(1,617)	(45)	(2,479)
Exchange adjustments	(20)	–	–	(20)
At 31.3.2015 and 1.4.2015	(7,269)	(1,647)	469	(8,447)
Business combination – Note 32	–	527	–	527
Disposal of subsidiaries – Note 33	1,771	2,589	(566)	3,794
Credit for the year – Note 8(a)	2,156	(1,218)	97	1,035
Exchange adjustments	33	–	–	33
At 31.3.2016	(3,309)	251	–	(3,058)

Represented by:-

	2016 HK\$'000	2015 HK\$'000
Deferred tax liabilities	1,986	2,788
Deferred tax assets	(5,044)	(11,235)
	(3,058)	(8,447)

16. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	4,140	4,877
Work in progress	64	150
Finished goods	713	1,407
	4,917	6,434

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17. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:-

	2016 HK\$'000	2015 HK\$'000
Trade debtors	5,681	8,469
Rental and utility deposits	25,548	38,631
Prepayments	3,305	4,156
Other debtors	998	591
	35,532	51,847

(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:-

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	5,367	7,084
31 – 60 days	310	709
61 – 90 days	3	345
91 – 180 days	1	11
181 – 365 days	-	320
	5,681	8,469

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17. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

(b) Trade debtors that are not impaired

The aging analysis of trade debtors that are not considered to be impaired was as follow:-

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	5,608	7,062
Past due but not impaired:		
1 – 30 days	69	823
31 – 60 days	3	262
61 – 90 days	1	6
91 – 180 days	-	7
181 – 365 days	-	309
	73	1,407
	5,681	8,469

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.

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18. CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Cash and bank balances	39,971	49,628

19. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:–

	2016 HK\$'000	2015 HK\$'000
Trade creditors	20,274	28,010
Accruals and provisions	22,336	30,598
Other creditors	12,019	14,394
	54,629	73,002
Less: Classified in non-current liabilities	(2,835)	(3,502)
Classified in current liabilities	51,794	69,500

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19. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED (cont'd)

The following was an aging analysis of trade creditors:-

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	9,296	16,107
31 – 60 days	7,800	10,432
61 – 90 days	1,968	288
91 – 180 days	323	573
Over 180 days	887	610
	20,274	28,010

20. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Share capital

Ordinary shares of HK\$0.01 each

	2016		2015	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorized:				
At the beginning and end of the year	5,000,000,000	50,000	5,000,000,000	50,000
Issued and fully paid:				
At the beginning of the year	2,242,950,000	22,430	2,242,950,000	22,430
Exercise of share option				
– Note 20(a)(i)	34,500,000	345	–	–
Conversion of convertible bonds				
– Note 20(a)(ii)	500,000,000	5,000	–	–
At the end of the year	2,777,450,000	27,775	2,242,950,000	22,430

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20. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(cont'd)

(a) Share capital (cont'd)

Notes:

- (i) During the year ended 31 March 2016, 34,500,000 share options exercised by the eligible option holders, resulting in the issue of 34,500,000 ordinary shares of HK\$0.01 each in the Company at a total consideration of HK\$3,021,000.
- (ii) HK\$40,000,000 convertible bonds were exercised by the convertible bonds holder, as a result the Company issued 500,000,000 ordinary shares of HK\$0.01 each of the Company at a conversion price of HK\$0.08 per share with issuing costs of approximately HK\$4,500.

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less pledged bank deposit and cash and cash equivalents. Equity capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and reserves).

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21. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year were set out below:

	Share premium HK\$'000	Accumulated losses HK\$'000	Employee share-based compensation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Total HK\$'000
The Company					
At 1.4.2014	145,186	(108,738)	1,820	2,521	40,789
Recognition of equity-settled share-based payment expenses – Note 26	–	–	246	–	246
Share options lapsed	–	46	(46)	–	–
Loss and total comprehensive loss for the year	–	(46,385)	–	–	(46,385)
At 31.3.2015 and 1.4.2015	145,186	(155,077)	2,020	2,521	(5,350)
Recognition of equity-settled share-based payment expenses – Note 26	–	–	9	–	9
Exercise of share option – Note 25	3,640	–	(974)	–	2,666
Extension of convertible bonds	–	2,521	–	260	2,781
Conversion of convertible bonds – Note 26	35,047	–	–	(1,391)	33,656
Loss and total comprehensive loss for the year	–	(46,248)	–	–	(46,248)
At 31.3.2016	183,873	(198,804)	1,055	1,390	(12,486)

- (a) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the entire issued share capital and the value of the underlying net assets of its subsidiaries at the date they were acquired by the Company. Under the Companies Law, Cap. 22 of the (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) As at 31 March 2016 and 2015, in the opinion of the Directors, the Company had no reserve available for distribution to the shareholders.

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22. OBLIGATIONS UNDER FINANCE LEASE

As at 31 March 2016, the Group had obligations under finance lease repayable as follows:-

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Amounts payable:				
Within one year	246	710	238	698
In the second to fifth year	182	-	179	-
	428	710	417	698
Less: Future finance charges	11	12	-	-
Present value of lease obligations	417	698	417	698

The lease term is two years. No arrangement has been entered into for contingent rental payments.

23. BANK LOANS – SECURED

	2016 HK\$'000	2015 HK\$'000
Bank loans, secured		
– within one year	24,888	26,293

At 31 March 2016, the secured bank loans denominated in Hong Kong Dollar were bearing variable interest rates of HIBOR plus 2.75% to 3.0% (2015: HIBOR plus 2.5% to 3.0%) per annum. The weighted average effective interest rate on the bank loans was 3.29% per annum. The bank loans were secured by corporate guarantee provided by the Company and one subsidiary.

The banking facilities granted to ITHK require it to maintain a net worth of no less than HK\$13,000,000 at any time. In the opinion of the Board of Directors, none of the covenants, relating to the secured bank loans had been breached during the years ended 31 March 2016 and 2015.

24. LOANS FROM A DIRECTOR

The amounts are interest free, unsecured and repayable on demand.



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25. CONVERTIBLE BONDS

On 21 August 2012, the Company issued convertible bonds in the principal amount of HK\$80,000,000 (the “Convertible Bonds”) to Strong Venture Limited (“Strong Venture”) for the acquisition of subsidiaries. The Convertible Bonds are interest bearing at 2% per annum with a maturity date on 21 August 2015, which are convertible into shares of the Company at the conversion price of HK\$0.080 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalization issues and rights issues etc) at any time after the issue date. Details of the Convertible Bonds are set out in the circular of the Company dated 30 July 2012.

The liability component included in the Convertible Bonds was initially recognized at approximately HK\$77,225,000, represents the fair value of liability component of approximately HK\$77,257,000 at the date of issue less transaction costs of approximately HK\$32,000. The fair value of the liability component was estimated by discounted cash flows method using a market interest rate for an equivalent non-convertible debt.

The residual amount of approximately HK\$2,521,000, representing the value of the equity conversion component of approximately HK\$2,522,000 at the date of issue less transaction costs of approximately HK\$1,000, was included in the Convertible Bonds equity reserve of the owners’ equity.

The allocation of transactions costs was based on proportion between the allocated values of liability and equity conversion components at initial recognition. The transaction costs allocated to liability component is amortized over the expect life of convertible bonds by using effective interest method and included in imputed interest expenses.

On 8 July 2015, the Company entered into the supplemental deed with Strong Venture pursuant to which the Company and Strong Venture agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the third anniversary to the sixth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions of the Convertible Bonds remain unchanged, valid and in full force. The supplemental deed was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 10 August 2015.

On 21 August 2015, Strong Venture transferred the Convertible Bonds in the aggregate principal amount of HK\$80,000,000 to Mr. Tang in consideration of the sum of HK\$80,000,000. All terms and conditions of the Convertible Bonds remain unchanged.

On 9 October 2015, the bondholder, Mr. Tang exercised partially the conversion rights attaching to the Convertible Bonds in respect of the principal amount of HK\$40,000,000 of the Convertible Bonds at the conversion price of HK\$0.08 per conversion share. Upon such conversion of the Convertible Bonds, a total of 500,000,000 ordinary shares were allotted and issued, credited as fully paid, to the bondholder.

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25. CONVERTIBLE BONDS (cont'd)

Movement of liability component for the years ended 31 March 2016 and 2015 was as follow:-

	HK\$'000
At 1.4.2014	78,682
Imputed interest expense – Note 6(a)	943
At 31.3.2015 and 1.4.2015	79,625
Imputed interest expense – Note 6(a)	375
Extension of Convertible Bonds	(2,781)
Converted during the year	(38,656)
At 31.3.2016	38,563

26. SHARE OPTIONS

The Company has adopted two share option schemes on 26 February 2003 (“Old Share Option Scheme”) and 20 July 2012 (“New Share Option Scheme”), (collectively referred to as the “Share Option Schemes”).

The committee (the “Committee”) which was authorized and charged by the Board with the administration of the Share Option Schemes, are authorized, at their discretion, to invite employees of the Group, including any executive Director or non-executive Director of the Company or other eligible employees to take up options to subscribe for the shares of the Company.

A sum of HK\$1 is payable by the participant on acceptance of the option offer. As a vesting condition for the Share Option Schemes, the grantees have to be remained as directors or employees of the Group during the vesting period.



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26. SHARE OPTIONS (cont'd)

The exercise price of the shares (the "Exercise Price") in relation to options to be granted under the Share Option Schemes shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date an option is offered (the "Offer Date"); and
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date,

provided that the Exercise Price shall not be lower than the nominal value of the shares.

34,500,000 (2015: Nil) share options were exercised during the year ended 31 March 2016. The weighted average share price at the date of shares options exercised during the year was HK\$0.171 (2015: not applicable).

Except for 34,500,000 (2015: Nil) share options exercised, no other share options were granted, exercised, lapsed or cancelled during the year ended 31 March 2016 under the Share Option Schemes. There were 2,000,000 share options lapsed during the year ended 31 March 2015 under the Share Option Schemes.

Notes to the Consolidated Financial Statements

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26. SHARE OPTIONS (cont'd)

- (a) Detailed movements of share options granted under the Share Option Schemes during the year were as follows:—

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2014	Lapsed during the year	Outstanding at 31.3.2015 and 1.4.2015	Exercised during the year	Outstanding at 31.3.2016
Category 1:								
Directors								
Mr. Tang	23.12.2011	23.12.2012 – 22.12.2021	0.062	5,000,000	–	5,000,000	–	5,000,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000	–	5,000,000	–	5,000,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,000,000	–	5,000,000	–	5,000,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	5,000,000	–	5,000,000	–	5,000,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	5,000,000	–	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	(1,000,000)	–
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000	(500,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	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	(1,000,000)	–
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000	(500,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	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	(1,000,000)	–
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000	(500,000)	–
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	500,000	(500,000)	–
Category 2:								
Employees	23.3.2010	23.3.2011 – 22.3.2020	0.210	2,000,000	–	2,000,000	–	2,000,000
	13.8.2010	13.8.2011 – 12.8.2020	0.138	5,000,000	–	5,000,000	(2,000,000)	3,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	5,000,000	–	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	(3,400,000)	–
	23.12.2011	23.12.2013 – 22.12.2021	0.062	4,500,000	–	4,500,000	(4,500,000)	–
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,600,000	–	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	(5,500,000)	–
	19.4.2013	19.4.2015 – 18.4.2023	0.090	6,500,000	(1,000,000)	5,500,000	(5,500,000)	–
Total of all categories				69,500,000	(2,000,000)	67,500,000	(34,500,000)	33,000,000

The share options outstanding as at 31 March 2016 had a weighted average exercise price of HK\$0.093 (2015: HK\$0.090) and a weighted average remaining contractual life of 5.78 years (2015: 6.86 years).

Notes to the Consolidated Financial Statements

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26. SHARE OPTIONS (cont'd)

- (b) For the years ended 31 March 2015 and 2016, total equity settled share-based payment expenses recognized were as follows:-

	HK\$'000
At 1.4.2014	292
Recognized in profit or loss for the year – Note 21	(246)
At 31.3.2015 and 1.4.2015	46
Recognized in profit or loss for the year – Note 21	(9)
At 31.3.2016	37

27. CONTINGENT LIABILITIES

Financial guarantees issued by the Company

During the year ended 31 March 2016, the Company has issued guarantees to banks in respect of banking facilities of approximately HK\$13,000,000, HK\$4,000,000 and HK\$23,750,000 granted to wholly-owned subsidiaries, ITHK, Truth Limited (“Truth”) and EMAL respectively.

The subsidiaries are entities covered by guarantee arrangements issued by the Company to banks in respect of banking facilities granted to the subsidiaries which remain in force so long as the subsidiaries have drawn down under the banking facilities. Under the guarantees, the Company is a party to the guarantees for all borrowings of subsidiaries from the banks which are the beneficiaries of the guarantees.

As at the end of the reporting period, the Directors of the Company do not consider there is possibility that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the outstanding amount of the facilities drawn down by ITHK, Truth and EMAL which are approximately HK\$11,325,000, HK\$1,813,000 and HK\$11,750,000 respectively. Since the fair value of financial guarantees issued at inception date is immaterial, no provision and amortization on financial guarantees issued has been recognized in the Company's statement of profit or loss.

28. BANKING FACILITIES

As at 31 March 2016, the Group's bank facilities to the extent of HK\$40,750,000 (2015: HK\$45,000,000) were secured by corporate guarantees provided by the Company and a subsidiary (Note 23).

As at 31 March 2016, the facilities were utilized to the extent of HK\$24,888,000 (2015: HK\$26,293,000) by the Group (Note 23).

Notes to the Consolidated Financial Statements

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29. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:-

	2016 HK\$'000	2015 HK\$'000
Within one year	53,263	73,239
More than one year but within five years	62,852	59,433
	116,115	132,672

Operating lease payments represent rentals payable by the Group for the use of restaurants, office premises, staff quarters, café, cake shops, cake factory and car parking spaces. Leases are negotiated (i) for terms of one year to five years with a pre-determined percentage of turnover or fixed monthly rentals whichever is higher or (ii) for terms of one year to five years with fixed monthly rentals.

30. RELATED PARTY AND CONNECTED TRANSACTIONS

Except for loans from a director and disposal of subsidiaries as disclosed in notes 24 and 33, the Group had the following material transactions with its related parties as defined in HKAS 24 and/or connected person as defined in the GEM Listing Rules during the year:-

	Note	2016 HK\$'000	2015 HK\$'000
(i) Interest expense on convertible bonds to Strong Venture [#]	(a)	622	1,600
(ii) Interest expense on convertible bonds to Mr. Tang	(a)	598	-
(iii) Rental expense to Joint Allied Limited ^{##}	(b)	1,446	1,371
(iv) Rental expense to Assets Partner Limited ^{##}	(b)	1,872	1,404
(v) Rental expense to Jebson Development Limited ^{##}	(b)	639	552

[#] Mr. Tang, the executive Director of the Company, has controlling interest.

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

Notes to the Consolidated Financial Statements

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30. RELATED PARTY AND CONNECTED TRANSACTIONS (cont'd)

Notes:

- (a) The interest rate was determined at 2% per annum as set out in the subscription agreement dated 15 August 2012. The Company entered into the supplemental deed with Strong Venture dated 8 July 2015 pursuant to which the Company and Strong Venture agreed to extend the maturity date of the Convertible Bonds for 36 months from the date falling on the third anniversary to the sixth anniversary of the date of issue of the Convertible Bonds. Save and except the amendment to the maturity date pursuant to the supplemental deed, all the terms and conditions in the Convertible Bonds remain unchanged, valid and in full force. On 21 August 2015, Strong Venture transferred the Convertible Bonds in the aggregate principal amount of HK\$80,000,000 to Mr. Tang in consideration of the sum of HK\$80,000,000. All terms and conditions of the Convertible Bonds remain unchanged.
- (b) The transactions were entered based on the normal commercial terms.

The Directors (including the independent non-executive Directors) of the Company have reviewed the above related party and connected transactions and are of the opinion and confirm that these transactions were effected: (i) on normal commercial terms (or better to the Group); (ii) in the ordinary and usual 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	2016	2015
	HK\$'000	HK\$'000
Fees for key management personnel	360	360
Salaries, allowances and other benefits in kind	5,919	5,105
Retirement scheme contributions	123	112
Equity-settled share-based payment expenses	8	221
	6,410	5,798

31. RETIREMENT BENEFIT COSTS

The Company's subsidiaries in Hong Kong had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries or HK\$1,500, whichever is the lower.

The Company's subsidiaries in Taiwan and Japan had participated in respective retirement schemes. Contributions to the schemes in Taiwan and Japan are made at 6% and 8.7% respectively by both the employers and employees based on the employees' salaries.

The Company's subsidiaries in the PRC had participated in the state-sponsored retirement plan, contributions are made by the subsidiaries to the plan based on 11% to 21% of the applicable payroll costs. The Group has no other obligation other than the above-mentioned contributions.

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32. BUSINESS COMBINATION

During the year ended 31 March 2016, the Group completed the acquisition of 100% equity interest in Cookie Man China (BVI) Limited and its subsidiaries, which are currently running the logistic and production centre in Shanghai, at a total consideration of HK\$5.4 million.

The goodwill recognized is expected to be non-deductible for income tax purposes. The fair value of the identifiable assets and liabilities acquired in above acquisitions are as follows:–

	Note	2016 HK\$'000
Net identifiable assets acquired:–		
Plant and equipment	11	1,645
Other intangible assets	14	1,772
Inventories		337
Debtors, deposits and prepayments		404
Cash and bank balances		68
Creditors, accruals and deposits received		(837)
Deferred tax liabilities	15	(527)
		2,862
Goodwill on acquisition of interests in subsidiaries	13	2,565
		5,427
Consideration for acquisition of subsidiaries:–		
Cash consideration paid		3,927
Other creditors		1,500
		5,427
Net cash outflow arising on business combination:–		
Cash consideration paid		(3,927)
Cash and bank balances acquired		68
		(3,859)



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For the year ended 31 March 2016

32. BUSINESS COMBINATION (cont'd)

Acquisition related costs incurred during the year to these acquisitions amounting to approximately HK\$100,000 were included in operating expenses in the profit or loss.

The newly acquired subsidiaries contributed approximately HK\$6,967,000 and HK\$938,000 to the Group's loss for the year and revenue for the year ended 31 March 2016, respectively, for the period between 2 April 2015, the date of acquisition, and the end of the reporting year.

Had the acquisition been completed on 1 April 2015, total Group's loss for the year and revenue for the year ended 31 March 2016 would be approximately HK\$38,634,000 and HK\$442,871,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and result of the Group that would actually have been impacted had the acquisition been completed on 1 April 2015, nor was it intended to be a projection of future result.

The goodwill of HK\$2,565,000 arose from a number of factors. The most significant amongst these is the premium attributable to a pre-existing, well-established logistic and production center in Shanghai. In addition, it also included expected synergies through combining with the existing operations in Shanghai.

33. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2016, the Group disposed of the entire equity interest in (i) Jazzman Holdings Limited and its subsidiaries (collectively referred as to the "Jazzman Group") to Speedyway Limited, which is wholly and beneficially owned by a director of the Company, Mr. Tang, at a total consideration of HK\$1.7 million, in order to dispose of the Group's overseas operations in Japan; (ii) Alworth Limited and its subsidiaries, (collectively referred as to the "Alworth Group") to Simply Global Investments Limited, which is wholly and beneficially owned by Mr. Tang, at a total consideration of HK\$45 million, in order to dispose of two separate lines of business, under the brand names of Xiao Wang Beef Noodle and Xia Fei. The consideration of HK\$45.0 million was fully satisfied by the loans from a director; and (iii) Robust Asia Limited and its subsidiary, (collectively referred as to the "Robust Asia Group") to Headline Bar & Restaurant Limited, which is an independent third party, at a total consideration of HK\$4.5 million, in order to dispose of the Group's food processing solutions and catering services in Hong Kong.

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33. DISPOSAL OF SUBSIDIARIES (cont'd)

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

	Note	Jazzman Group HK\$'000	Alworth Group HK\$'000	Robust Asia Group HK\$'000	Total HK\$'000
Net assets disposed of:-					
Plant and equipment	11	748	11,972	826	13,546
Goodwill on consolidation	13	-	2,141	1,067	3,208
Other intangible assets	14	105	3,063	43	3,211
Deferred tax assets	15	-	4,278	97	4,375
Inventories		65	823	696	1,584
Debtors, deposits and prepayments		729	15,434	3,619	19,782
Amount due from a fellow subsidiary		-	221	-	221
Cash and bank balances		132	18,387	1,714	20,233
Creditors, accruals and deposit received		(379)	(16,444)	(2,391)	(19,214)
Bank loan, secured		-	(1,945)	-	(1,945)
Income tax payable		-	(2,457)	(17)	(2,474)
Amounts due to fellow subsidiaries		-	(165)	-	(165)
Deferred tax liabilities	15	-	(581)	-	(581)
Net assets disposed of		1,400	34,727	5,654	41,781
Release of exchange reserve		(566)	-	-	(566)
Non-controlling interests		834	34,727	5,654	41,215
Gain on disposal of subsidiaries		-	-	(1,540)	(1,540)
Gain on disposal of subsidiaries		880	10,273	386	11,539
Total consideration		1,714	45,000	4,500	51,214
Total consideration satisfied by:-					
Cash consideration		1,714	-	4,500	6,214
Loans from a director		-	45,000	-	45,000
		1,714	45,000	4,500	51,214
Net cash inflow/(outflow) arising on disposal:-					
Cash consideration received		1,714	-	4,500	6,214
Cash and bank balances disposed of		(132)	(18,387)	(1,714)	(20,233)
		1,582	(18,387)	2,786	(14,019)



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34. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

The carrying amounts of financial assets as at 31 March 2016, which represented the Group's significant exposure to credit risks, were as follows:–

	2016 HK\$'000	2015 HK\$'000
Debtors and deposits	32,227	47,691
Cash and bank balances	39,971	49,628
	72,198	97,319

In respect of trade debtors, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Payments by customers are mainly on cash and credit card except for well established corporate customers who entitled credit term of 30-60 days. Normally, the Group does not obtain collateral from customers.

The Directors consider that the credit risk from bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Notes to the Consolidated Financial Statements

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34. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(a) Credit risk (cont'd)

The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 0% (2015: 6.9%) and 0% (2015: 17.2%) of the total trade debtors was due from the largest customer and five largest customers respectively.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet their financial obligations, measured by the debt-to-equity capital ratio.

Maturities of the financial liabilities of the Group as at 31 March 2016 were as follows:–

	2016	2015
	HK\$'000	HK\$'000
Total amounts of contractual undiscounted obligations:–		
Loans from a director	71,716	81,700
Obligations under finance lease	428	710
Bank and other loans, secured	24,956	26,361
Convertible bonds		
– liability component	40,476	80,629
Creditors and accruals	48,085	62,525
	185,661	251,925
Due for payment:–		
Within one year or on demand	145,803	251,925
In the second to fifth year	39,858	–
	185,661	251,925

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34. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The exposure arising from the current accounts among the Company and its subsidiaries which are form part of net investment in foreign operations is excluded.

	2016				2015			
	United Stated Dollar US\$'000	Renminbi RMB'000	Yen YEN'000	Taiwan Dollar TWD'000	United Stated Dollar US\$'000	Renminbi RMB'000	Yen YEN'000	Taiwan Dollar TWD'000
Cash and bank balances	26	6	17	1	354	5	354	3
Gross exposure arising from recognized assets	26	6	17	1	354	5	354	3

The Group's operations in the PRC, Taiwan and Japan are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi, Taiwan Dollar and Yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Since Hong Kong Dollar is pledged to United States Dollar, material fluctuation in the exchange rates of Hong Kong Dollar against United States Dollar is remote.

It is estimated that a fluctuation of 5% in foreign exchange rates with all other variables held constant would not have a material impact on the Group's loss for the years ended 31 March 2016 and 2015 and accumulated losses as at those dates.

The Group does not use financial derivatives to hedge against the currency risk. However, the currency risk of the Group is closely monitored by the management to ensure that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

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34. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, obligations under finance lease, bank overdraft, liability component of convertible bonds and bank balances. Except for the bank loans, liability component of convertible bonds and time deposits which are held at fixed interest rates, all the bank balances are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

(i) Effective interest profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of reporting period.

	2016		2015	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed rate financial liabilities				
– Obligations under finance lease	2.85	(417)	3.50	(698)
– Convertible bonds				
– liability component	3.24	(38,563)	3.22	(79,625)
Variable rate financial liability				
– Bank and other loans, secured	3.24-3.33	(24,888)	2.73-3.24	(26,293)
Variable rate financial assets				
– Bank balances	0.01-0.05	8,301	0.01-0.05	3,025
Net financial liabilities		(55,567)		(103,591)



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34. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk (cont'd)

- (ii) It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would not have a material impact on the Group's loss for the years ended 31 March 2016 and 2015 and accumulated losses as at those dates.

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. As at 31 March 2016 and 2015, the Group did not have any financial instrument which is subject to market price risk.

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their values as at 31 March 2016 and 2015.

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35. SEGMENT AND ENTITY-WIDE 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 allocation resources to the segment and to assess its performance.

(a) 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.

(b) Geographical information

	PRC		Hong Kong/overseas		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	89,836	68,510	353,035	437,481	442,871	505,991
Other revenue	642	373	2,884	1,478	3,526	1,851
Total revenue	90,478	68,883	355,919	438,959	446,397	507,842
Non-current assets	12,792	19,759	92,554	123,501	105,346	143,260

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (excluding deferred tax assets) is based on (i) the physical location of the assets, in the case of plant and equipment, and inventories, (ii) the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and (iii) the location of operation to which they are incurred, in the case of debtors, deposits and prepayments, income tax recoverable and cash and bank balances.

(c) Major customers

The Group's customer base is diversified and no revenues from transactions with a single external customer amount to 10% or more of the Group's revenue for the years ended 31 March 2016 and 2015.

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	12	53,316	98,087
		53,316	98,087
CURRENT ASSETS			
Debtors, deposits and prepayments		113	113
Cash and cash equivalents		3,066	42
		3,179	155
DEDUCT:			
CURRENT LIABILITIES			
Convertible bonds	25	–	79,625
Creditors, accruals and deposits received		2,643	1,537
		2,643	81,162
NET CURRENT ASSETS/(LIABILITIES)		536	(81,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		53,852	17,080
NON-CURRENT LIABILITIES			
Convertible bonds	25	38,563	–
		38,563	–
NET ASSETS		15,289	17,080
REPRESENTING:			
Share capital	20(a)	27,775	22,430
Reserves	21	(12,486)	(5,350)
TOTAL EQUITY		15,289	17,080

37. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company as at 31 March 2016 to be Glory Sunshine Holding Limited, a company incorporated in BVI.



RESULTS

	For the year ended 31 March				2016 HK\$'000
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	
CONTINUING OPERATIONS					
Revenue	89,272	255,065	414,613	505,991	442,871
Loss before income tax	(6,929)	(12,539)	(27,901)	(34,891)	(34,736)
Income tax expense	(34)	(409)	(289)	(2,021)	(3,898)
Loss for the year from continuing operations	(6,963)	(12,948)	(28,190)	(36,912)	(38,634)
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	(8,943)	(4,752)	-	-	-
Loss for the year	(15,906)	(17,700)	(28,190)	(36,912)	(38,634)
Attributable to:					
Owners of the Company	(16,021)	(17,922)	(27,712)	(36,643)	(38,705)
Non-controlling interests	115	222	(478)	(269)	71
Loss for the year	(15,906)	(17,700)	(28,190)	(36,912)	(38,634)

Financial Summary (cont'd)

ASSETS AND LIABILITIES

	At 31 March				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS	35,456	131,912	158,789	154,495	110,390
CURRENT ASSETS	77,521	92,454	83,181	108,029	81,594
DEDUCT:					
CURRENT LIABILITIES	70,763	80,397	122,743	260,656	148,862
NET CURRENT ASSETS/(LIABILITIES)	6,758	12,057	(39,562)	(152,627)	(67,268)
TOTAL ASSETS LESS CURRENT LIABILITIES	42,214	143,969	119,227	1,868	43,122
NON-CURRENT LIABILITIES	(2,019)	(83,968)	(87,177)	(6,290)	(43,563)
NET ASSETS/(LIABILITIES)	40,195	60,001	32,050	(4,422)	(441)