



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

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

**INTERIM REPORT**  
**FOR THE PERIOD ENDED**  
**30 SEPTEMBER 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 of the Stock Exchange 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.*

**FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2016**

Consolidated revenue of the Company and its subsidiaries (collectively the “Group”) was HK\$163.4 million for the period under review, representing a decrease of 38% compared with HK\$264.9 million recorded in the corresponding period last year.

Loss attributable to owners of the Company increased to HK\$24.0 million from HK\$2.8 million.

## INTERIM RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated interim results of the Group for the period ended 30 September 2016, together with the comparative unaudited consolidated figures for the corresponding period last year:

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

For the six months ended 30 September 2016

	Note	For the six months ended 30 September		For the three months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	2	163,402	264,920	85,827	137,222
Cost of sales		(53,590)	(79,916)	(28,593)	(41,728)
Gross profit		109,812	185,004	57,234	95,494
Other income		1,037	11,985	637	11,610
Operating expenses		(132,360)	(193,835)	(66,672)	(98,150)
Operating (loss)/profit		(21,511)	3,154	(8,801)	8,954
Finance costs	3(a)	(2,250)	(3,988)	(1,167)	(2,013)
(Loss)/profit before income tax	3	(23,761)	(834)	(9,968)	6,941
Income tax expense	4	(601)	(2,183)	(633)	(1,303)
<b>(Loss)/profit for the period</b>		<b>(24,362)</b>	<b>(3,017)</b>	<b>(10,601)</b>	<b>5,638</b>
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company		(24,045)	(2,798)	(10,471)	5,690
Non-controlling interests		(317)	(219)	(130)	(52)
		<b>(24,362)</b>	<b>(3,017)</b>	<b>(10,601)</b>	<b>5,638</b>
<b>(Loss)/earnings per share (HK cents)</b>	5				
– Basic		(0.87)	(0.12)	(0.38)	0.25
– Diluted		N/A	N/A	N/A	0.19

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the six months ended 30 September 2016*

	For the six months ended 30 September		For the three months ended 30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/profit for the period</b>	<b>(24,362)</b>	<b>(3,017)</b>	<b>(10,601)</b>	<b>5,638</b>
<b>Other comprehensive (loss)/income</b>				
Items that may be subsequently reclassified to profit or loss:-				
Exchange (loss)/gain arising from translation of financial statements of foreign operations	<u>(540)</u>	<u>454</u>	<u>(858)</u>	<u>331</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(24,902)</u></b>	<b><u>(2,563)</u></b>	<b><u>(11,459)</u></b>	<b><u>5,969</u></b>
<b>Total comprehensive (loss)/income for the period attributable to:-</b>				
Owners of the Company	<u>(24,577)</u>	<u>(2,340)</u>	<u>(11,328)</u>	<u>6,025</u>
Non-controlling interests	<u>(325)</u>	<u>(223)</u>	<u>(131)</u>	<u>(56)</u>
	<b><u>(24,902)</u></b>	<b><u>(2,563)</u></b>	<b><u>(11,459)</u></b>	<b><u>5,969</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	At 30 September 2016 (Unaudited) <i>HK\$'000</i>	At 31 March 2016 (Audited) <i>HK\$'000</i>
<i>Note</i>		
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	37,209	30,118
Goodwill on consolidation	55,095	55,095
Other intangible assets	19,194	20,133
Deferred tax assets	5,648	5,044
	<u>117,146</u>	<u>110,390</u>
<b>CURRENT ASSETS</b>		
Inventories	5,484	4,917
Debtors, deposits and prepayments	36,491	35,532
Income tax recoverable	2,116	1,174
Cash and cash equivalents	24,799	39,971
	<u>68,890</u>	<u>81,594</u>
<b>DEDUCT:</b>		
<b>CURRENT LIABILITIES</b>		
Loan from a director	88,166	71,716
Obligations under finance lease	241	238
Bank loans, secured	24,399	24,888
Creditors, accruals and deposits received	55,161	51,794
Income tax payable	833	226
	<u>168,800</u>	<u>148,862</u>
<b>NET CURRENT LIABILITIES</b>	<u>(99,910)</u>	<u>(67,268)</u>

	<b>At 30 September 2016 (Unaudited) HK\$'000</b>	<b>At 31 March 2016 (Audited) HK\$'000</b>
<i>Note</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>17,236</b>	43,122
<b>NON-CURRENT LIABILITIES</b>		
Convertible bonds	<b>38,563</b>	38,563
Deferred tax liabilities	<b>3,293</b>	1,986
Other payables	<b>665</b>	2,835
Obligations under finance lease	<b>58</b>	179
	<b>42,579</b>	43,563
<b>NET LIABILITIES</b>	<b>(25,343)</b>	(441)
<b>REPRESENTING:</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	<b>27,775</b>	27,775
Reserves	<b>(51,980)</b>	(27,403)
	<b>(24,205)</b>	372
Non-controlling interests	<b>(1,138)</b>	(813)
<b>TOTAL EQUITY</b>	<b>(25,343)</b>	(441)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 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 1.4.2015 (audited)	22,430	(170,884)	135,200	3,801	92	2,020	2,521	(258)	(5,078)	656	(4,422)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	9	-	-	9	-	9
Release upon disposal of subsidiaries	-	-	-	-	(566)	-	-	-	(566)	-	(566)
<b>Comprehensive loss</b>											
Loss for the period	-	(2,798)	-	-	-	-	-	-	(2,798)	(219)	(3,017)
Other comprehensive income:-											
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	458	-	-	-	458	(4)	454
Total comprehensive loss for the period	-	(2,798)	-	-	458	-	-	-	(2,340)	(223)	(2,563)
At 30.9.2015 (unaudited)	<u>22,430</u>	<u>(173,682)</u>	<u>135,200</u>	<u>3,801</u>	<u>(16)</u>	<u>2,029</u>	<u>2,521</u>	<u>(258)</u>	<u>(7,975)</u>	<u>433</u>	<u>(7,542)</u>
At 1.4.2016 (audited)	27,775	(207,068)	173,887	3,801	(210)	1,055	1,390	(258)	372	(813)	(441)
<b>Comprehensive loss</b>											
Loss for the period	-	(24,045)	-	-	-	-	-	-	(24,045)	(317)	(24,362)
Other comprehensive income:-											
Exchange gain/(loss) arising from translation of financial statements of foreign operations	-	-	-	-	(532)	-	-	-	(532)	(8)	(540)
Total comprehensive loss for the period	-	(24,045)	-	-	(532)	-	-	-	(24,577)	(325)	(24,902)
At 30.9.2016 (unaudited)	<u>27,775</u>	<u>(231,113)</u>	<u>173,887</u>	<u>3,801</u>	<u>(742)</u>	<u>1,055</u>	<u>1,390</u>	<u>(258)</u>	<u>(24,265)</u>	<u>(1,138)</u>	<u>(25,343)</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

	<b>For the six months ended 30 September</b>	
	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	<b>(12,463)</b>	9,035
NET CASH USED IN INVESTING ACTIVITIES	<b>(18,514)</b>	(36,446)
NET CASH FROM FINANCING ACTIVITIES	<b>15,843</b>	15,362
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(15,134)</b>	(12,049)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>39,971</b>	49,628
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	<b>(38)</b>	27
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<b>24,799</b>	37,606

**ANALYSIS OF CASH AND CASH EQUIVALENTS**

	<b>At</b>	At
	<b>30 September</b>	30 September
	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Cash and bank balances	<b>24,799</b>	37,606

Notes:

## 1. BASIS OF PREPARATION

- (a) These unaudited condensed consolidated interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These unaudited condensed consolidated interim results should be read in conjunction with the consolidated financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

These unaudited condensed consolidated interim results have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its annual period beginning on 1 April 2016. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated interim results and amounts reported for the current period and prior periods.

These condensed consolidated financial statements have been prepared under the historical cost convention.

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

When preparing the unaudited condensed consolidated interim results, the Group’s ability to continue as a going concern has been assessed. These unaudited condensed consolidated interim results have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$24,362,000 for the period ended 30 September 2016 and as of that date, the Group had net current liabilities and net liabilities of HK\$99,910,000 and HK\$25,343,000 respectively as the Directors considered that:–

- (1) Mr. Tang Sing Ming Sherman (“Mr. Tang”), who is the executive director of the Company and, as at 30 September 2016, provided loans to the Group of HK\$88,166,000 in aggregate and is also the sole beneficial owner of the convertible bonds issued by the Company in the aggregate outstanding principal amount of HK\$40,000,000, continued to provide financial support to the Group; and
- (2) as disclosed in the Joint Announcement (as defined below), Win Union Investment Limited as purchaser (the “Purchaser”), and Mr. Tang and First Glory Holdings Limited as vendors entered into a sale and purchase agreement on 7 September 2016, pursuant to which the Purchaser agreed to purchase and the Vendors agreed to sell a total of 1,403,810,083 shares of the Company (the “Acquisition”). After the completion of the Acquisition which took place on 8 September 2016, Mr. Chan Kin Chun Victor (“Mr. Chan”), the beneficial owner of the Purchaser, has become the controlling shareholder of the Company and will provide continuing financial support to the Group.

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

## 2. REVENUE

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

	<b>For the six months ended 30 September</b>	
	<b>2016 (Unaudited) HK\$'000</b>	<b>2015 (Unaudited) HK\$'000</b>
Provision of food and beverage services and others	<b>163,402</b>	<b>264,920</b>

## 3. LOSS BEFORE INCOME TAX

	<b>For the six months ended 30 September</b>	
	<b>2016 (Unaudited) HK\$'000</b>	<b>2015 (Unaudited) HK\$'000</b>
Loss before income tax is arrived at after charging:		
(a) Finance costs:		
Interests on bank loans and overdrafts repayable within five years	349	398
Interest expense on convertible bonds	400	802
Imputed interest expense on convertible bonds	–	375
Finance charge on obligations under finance lease	5	9
Other bank charges	<b>1,496</b>	<b>2,404</b>
	<b>2,250</b>	<b>3,988</b>
(b) Other items:		
Amortization of other intangible assets	937	571
Depreciation	<b>10,803</b>	<b>15,621</b>

#### 4. INCOME TAX

Taxation in the profit or loss represents:

	<b>For the six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax	<b>(91)</b>	2,106
Deferred tax	<b>692</b>	77
	<hr/>	<hr/>
	<b>601</b>	2,183
	<hr/> <hr/>	<hr/> <hr/>

- (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") and Taiwan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax and Taiwan Profit-Seeking-Enterprise Income Tax at the rates of 16.5%, 25% and 17% respectively (2015: Hong Kong – 16.5%, PRC – 25%, Taiwan – 17% and Japan – 15%).

#### 5. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for all periods presented is based on (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares of 2,777,450,000 (2015: 2,242,950,000 ordinary shares) in issue during all periods.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 September 2015 and 2016 except for the three months period ended 30 September 2015.

Diluted earnings per share for the three months period ended 30 September 2015 is based on the adjusted profit attributable to owners of the Company for the period of HK\$6,229,000 and on the weighted average number of 3,272,956,250 ordinary shares, calculated as follows:

**Adjusted profit attributable to owners of the Company**

	For the three months period ended 30 September 2015 (Unaudited) HK\$'000
Profit attributable to owners of the Company	5,690
Interest expenses for the period relating to the liability component of the convertible bonds	539
	<hr/>
Adjusted profit attributable to owners of the Company	<u><u>6,229</u></u>

**Weighted average number of ordinary share**

	As at 30 September 2015 (Unaudited)
Issued ordinary shares at 1 July 2015	2,242,950,000
Weighted average number of shares under option	65,500,000
Weighted average number of shares under option that would have been issued at average market price for the three months ended 30 September 2015	(35,493,750)
Number of ordinary shares resulting from conversion of convertible bonds	<hr/> 1,000,000,000
Weighted average number of ordinary shares for the three months ended 30 September 2015	<u><u>3,272,956,250</u></u>

## 6. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	At 30 September 2016 (Unaudited) <i>HK\$'000</i>	At 31 March 2016 (Audited) <i>HK\$'000</i>
Trade debtors	5,855	5,681
Rental and utility deposits	25,950	25,548
Prepayments	4,289	3,305
Other debtors	397	998
	<u>36,491</u>	<u>35,532</u>

### (a) Aging analysis

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

	At 30 September 2016 (Unaudited) <i>HK\$'000</i>	At 31 March 2016 (Audited) <i>HK\$'000</i>
0 – 30 days	5,062	5,367
31 – 60 days	671	310
61 – 90 days	–	3
91 – 180 days	120	1
181 – 365 days	2	–
	<u>5,855</u>	<u>5,681</u>

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

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

	<b>At 30 September 2016 (Unaudited) HK\$'000</b>	<b>At 31 March 2016 (Audited) HK\$'000</b>
Neither past due nor impaired	<u>5,707</u>	<u>5,608</u>
Past due but not impaired:		
1 – 30 days	143	69
31 – 60 days	–	3
61 – 90 days	4	1
91 – 180 days	1	–
181 – 365 days	<u>–</u>	<u>–</u>
	<u>148</u>	<u>73</u>
	<u><b>5,855</b></u>	<u><b>5,681</b></u>

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

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

## 7. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	At 30 September 2016 (Unaudited) <i>HK\$'000</i>	At 31 March 2016 (Audited) <i>HK\$'000</i>
Trade creditors	26,514	20,274
Accruals and provisions	22,007	22,336
Other creditors	7,305	12,019
	<u>55,826</u>	<u>54,629</u>
Less: Classified in non-current liabilities	(665)	(2,835)
	<u>55,161</u>	<u>51,794</u>

The following is an aging analysis of trade creditors:

	At 30 September 2016 (Unaudited) <i>HK\$'000</i>	At 31 March 2016 (Audited) <i>HK\$'000</i>
0 – 30 days	14,226	9,296
31 – 60 days	6,252	7,800
61 – 90 days	873	1,968
91 – 180 days	1,380	323
Over 180 days	3,783	887
	<u>26,514</u>	<u>20,274</u>

## 8. BUSINESS COMBINATION

During the period ended 30 September 2015, the Group completed the acquisition of 100% equity interest in a group of companies, which are 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 were as follows:

	2015 (Unaudited) HK\$'000
Net assets acquired:	
Plant and equipment	1,645
Other intangible assets	1,772
Inventories	337
Debtors, deposits and prepayments	404
Cash and bank balances	68
Creditors, accruals and deposits received	(837)
Deferred tax liabilities	(527)
	<hr/>
	2,862
Goodwill on acquisition of interests in subsidiaries	<hr/> 2,565
Consideration for acquisition of subsidiaries	<hr/> <hr/> 5,427
Consideration for acquisition of subsidiaries:	
Cash consideration paid	3,927
Other creditors	<hr/> 1,500
	<hr/> <hr/> 5,427
Net cash outflow arising on acquisition:	
Cash consideration paid	(3,927)
Cash and bank balances acquired	<hr/> 68
	<hr/> <hr/> (3,859)

## 9. DISPOSAL OF SUBSIDIARIES

During the period ended 30 September 2015, 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; and (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\$45.0 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.

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

	Jazzman Group (Unaudited) HK\$'000	Alworth Group (Unaudited) HK\$'000	2015 Total (Unaudited) HK\$'000
Net assets disposed of:–			
Plant and equipment	748	11,972	12,720
Goodwill on consolidation	–	2,141	2,141
Intangible assets	105	3,063	3,168
Deferred tax assets	–	4,278	4,278
Inventories	65	823	888
Debtors, deposits and prepayments	729	15,434	16,163
Amounts due from fellow subsidiaries	–	221	221
Cash and bank balances	132	18,387	18,519
Creditors, accruals and deposits received	(379)	(16,444)	(16,823)
Bank loan, secured	–	(1,945)	(1,945)
Income tax payable	–	(2,457)	(2,457)
Amounts due to fellow subsidiaries	–	(165)	(165)
Deferred tax liabilities	–	(581)	(581)
	<u>1,400</u>	<u>34,727</u>	<u>36,127</u>
Release of exchange reserve	(566)	–	(566)
	<u>834</u>	<u>34,727</u>	<u>35,561</u>
Gain on disposal of subsidiaries	880	10,273	11,153
	<u>1,714</u>	<u>45,000</u>	<u>46,714</u>
Total consideration	<u>1,714</u>	<u>45,000</u>	<u>46,714</u>
Total consideration satisfied by:–			
Cash consideration	1,714	–	1,714
Loan from a director	–	45,000	45,000
	<u>1,714</u>	<u>45,000</u>	<u>46,714</u>
	<u>1,714</u>	<u>45,000</u>	<u>46,714</u>
Net cash inflow/(outflow), arising from disposal:			
Cash consideration received	1,714	–	1,714
Cash and bank balances disposed of	(132)	(18,387)	(18,519)
	<u>1,582</u>	<u>(18,387)</u>	<u>(16,805)</u>

## 10. RELATED PARTY AND CONNECTED TRANSACTIONS

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

Except for loan from a director and disposal of subsidiaries as disclosed in note 9, the Group had the following material transactions with its related parties in which a Director has controlling interest under the GEM Listing Rules during the period:

	<i>Note</i>	<b>For the six months ended 30 September</b>	
		<b>2016 (Unaudited) HK\$'000</b>	<b>2015 (Unaudited) HK\$'000</b>
(i) Interest expense on convertible bonds to Strong Venture Limited ("Strong Venture") #	(a)	–	802
(ii) Interest expense on convertible bonds to Mr. Tang	(a)	<b>400</b>	–
(iii) Rental expenses to Joint Allied Limited ("Joint Allied") ##	(b)	<b>775</b>	685
(iv) Rental expenses to Assets Partner Limited ("Assets Partner") ##	(b)	<b>936</b>	936
(v) Rental expenses to Jebson Development Limited ("Jebson Development") ##	(b)	<b>–</b>	<b>360</b>

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

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

### Notes:

- (a) The 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 in the convertible bonds remain unchanged.
- (b) The transaction was entered based on normal commercial terms.

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

## Key management compensation

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Fees for key management personnel	180	180
Salaries, allowances and other benefits in kind	3,678	2,658
Retirement scheme contributions	66	57
Equity-settled share-based payment expenses	—	8
	<u>3,924</u>	<u>2,903</u>

## 11. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the board of directors) in order to allocate 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	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue from external customers	42,799	45,762	120,603	219,158	163,402	264,920
Other revenue	422	377	615	11,608	1,037	11,985
Total revenue	<u>43,221</u>	<u>46,139</u>	<u>121,218</u>	<u>230,766</u>	<u>164,439</u>	<u>276,905</u>
Non-current assets	<u>11,895</u>	<u>24,150</u>	<u>99,603</u>	<u>104,879</u>	<u>111,498</u>	<u>129,029</u>

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 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 periods ended 30 September 2016 and 2015.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2016 (2015: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's unaudited revenue for the interim period ended 30 September 2016 amounted to HK\$163.4 million (2015: HK\$264.9 million), representing a decrease of 38% compared with the same period of the last financial year. Net loss attributable to owners of the Company increased by HK\$21.2 million to HK\$24.0 million as compared with the same period of the last financial year.

### **Industry Overview**

While the economic growth remains sluggish, the uncertainties, at an international level, such as the future of the White House after the recent United States presidential election, the general direction of movement of the British sterling, the future of Britain and the European Union after Briexit and, at a local level, the new Legislative Council of the Hong Kong Special Administrative Region, further add pressure on the unfavorable operating environment facing by the food and beverage ("F&B") industry of Hong Kong. On the one hand, the competition in the local food and beverage sector remained intense as the Group has to compete with other operators for labour, rent space and customers. On the other hand, the Group continues to face shortage of manpower, high turnover rate in labour and burden from high rent rate and F&B industry continues to face the pressures from rising costs in raw materials and utilities.

The majority of the Group's revenue is derived from the provision of food and beverage services in Hong Kong, however, the growth trend in Hong Kong has been slowing down due to the close linkage with 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 China tourists and greater competition from surrounding destinations. The Hong Kong retail sector is struggling to cope with these economic headwinds. Such factors have squeezed margins in the food and beverage sector.

With respect to the F&B market in Mainland China, while there is growth potential in the F&B catering market, the F&B industry as a whole is also facing pressure on operating costs for labour, rental and raw materials. Further, the economic slowdown and the anti-corruption campaign launched by the Chinese government have affected the market negatively.

## Business Review

In September 2015, the Group disposed of two dining concepts, namely the Shanghainese cuisine and Taiwan beef noodle, in order to focus the resources on the development of the Japanese-related concepts in the Greater China region. 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. Revenue declined due to the disposal of the Shanghainese cuisine and Taiwan beef noodle chain stores, and the closure of stores of other brands on lease expiry during the period under review.

Italian Tomato, our flagship brand of restaurants, café and cake shops, is still the main contributor to the Group's revenue. Through years of effort on product innovation, menu engineering and customer relationships, Italian Tomato has already become a well-recognized brand in Hong Kong. Leveraged on our success in Hong Kong, we expanded Italian Tomato's network to Shanghai, Shenzhen and Taiwan. Despite lower than expected sales, the Group's marketing team is working on strategies to drive the customer traffic, we believe that we can apply our success models from Hong Kong business to drive growth in these markets. Going forward, we will continue to enhance the brand recognition and our ability in the operation efficiency.

Our Japanese curry specialty shops continue to stay strong in the Mainland China and a promising same-store-growth rate has been achieved by our 6 directly operated stores in Shanghai. In addition, the brand licensing and management under this Japanese curry specializing concept has made good progress in Mainland China. However, the performance of this brand in Hong Kong was disappointing. Additional effort is made to revamp the menu in order to spark customers' interest and therefore, we expect the sales to improve again soon.

The Japanese tonkatsu, the oldest dining concept in our F&B operating history, continues to contribute to the revenue of the Group. During the period under review, we opened two shops in Hong Kong and its performances are within our expectation; in Mainland China, we are planning to open a shop in Shanghai in 2017. We expect fiscal 2016/2017 to be a year of sequential sales improvement for this brand. As this is an enduring brand with proven record of success in Japan, we are confident that we can differentiate ourselves from our competitors when we maintain the food quality and adhere to the tradition of this brand.

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

## **Future Prospects**

We have stepped into the second half of the fiscal year 2016/2017 and have seen the toughest year in our operating history since we engaged in the F&B sector. It is hard to foresee when the sluggish market takes a turn for the better or the economy revives, however, our management and front line staff are hand in hand to weather the gloomy economy.

Furthermore, reference is made to the joint announcement of the Company and Win Union Investment Limited dated 14 September 2016 (the “Joint Announcement”). Win Union Investment Limited has become the controlling shareholder of the Company upon the completion the acquisition of 1,403,810,083 shares of the Company, representing approximately 50.54% of the total issued share capital of the Company, on 8 September 2016. Win Union Investment Limited is wholly-owned by Mr. Chan.

While the Company intends to continue the existing principal businesses of the Group in the F&B industry, the new management is expected to conduct a review on the existing businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the new management may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company.

On the other hand, the new management led by Mr. Chan may explore new business opportunities in order to diversify the Group’s existing business and broaden the Group’s income stream.

## **FINANCIAL REVIEW**

For the six months ended 30 September 2016, the Group recorded revenue of HK\$163.4 million (2015: HK\$264.9 million), decreased by 38% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$24.0 million (2015: HK\$2.8 million).

The gross profit margin of the Group was 67% (2015: 70%).

Total operating expenses were decreased by 32% to HK\$132.4 million (2015: HK\$193.8 million) due to the fact that the number of operating subsidiaries are fewer than that of corresponding period last year resulting from the disposal of the business operation in Japan and the entire interests in the Shanghainese dining concept and Taiwan beef noodle chain stores.

## **Financial Resources and Liquidity**

As at 30 September 2016, the Group's current assets amounted to HK\$68.9 million (at 31 March 2016: HK\$81.6 million) of which HK\$24.8 million (at 31 March 2016: HK\$40.0 million) was cash and bank deposits, HK\$36.5 million (at 31 March 2016: HK\$35.5 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK\$168.9 million (at 31 March 2016: HK\$148.9 million), including creditors, accruals and deposits received in the amount of HK\$55.2 million (at 31 March 2016: HK\$51.8 million).

Current ratio and quick assets ratio were 0.41 and 0.38 respectively (at 31 March 2016: 0.55 and 0.52 respectively). As the Company incurred net liabilities as at 30 September 2016 and 31 March 2016, there was no debt-to-equity ratio, 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 and Taiwan denominated in Renminbi and New Taiwan Dollar respectively. Fluctuation in exchange rates of Renminbi and New Taiwan Dollar against Hong Kong Dollar could affect the Group's results of operations. During both periods for the six months ended 30 September 2016 and 2015, no hedging transaction or other exchange rate arrangements were made.

## **Charges on the Group's Assets**

Except for the assets pledged as security for obligations under finance lease at 30 September 2016 and 31 March 2016, no assets of the Group had been pledged or charged as at 30 September 2016 and 31 March 2016.

## **Capital Commitments**

As at 30 September 2016 and 31 March 2016, the Group did not have any material capital commitments.

## **Contingent Liabilities**

As at 30 September 2016 and 31 March 2016, the Group did not have any contingent liabilities.

Save as disclosed above, during the six months ended 30 September 2016 and 2015, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

## Employees and Remuneration Policies

As at 30 September 2016, the Group had 572 employees in Hong Kong, the PRC and Taiwan (at 31 March 2016: 743 employees in Hong Kong, the PRC and Taiwan). 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 for their contributions. Other fringe benefits such as medical subsidies, medical insurance, education/training subsidies, pension fund plans are offered to most employees. Share options are granted at the discretion of the Board and under the terms and conditions of the Share Option Schemes adopted on 26 February 2003 and 20 July 2012 (collectively referred to as the "Share Option Schemes").

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

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 September 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)
Mr. Bhanusak Asvaintra	Beneficial owner	2,000,000	0.07%
Mr. Chan Kam Fai Robert	Beneficial owner	2,000,000	0.07%
Mr. Chung Kwok Keung Peter	Beneficial owner	2,000,000	0.07%

Note:

Based on 2,777,450,000 shares of the Company in issue as at 30 September 2016.

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

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of the issued share capital</b> <i>(Note 3)</i>
Mr. Tang <i>(Note 2)</i>	Beneficial owner	500,000,000 <i>(Note 1)</i>	18.00%

Outstanding options granted to the Directors under the Share Option Schemes:

<b>Name</b>	<b>Date of grant</b>	<b>Exercise price per share</b> <i>HK\$</i>	<b>Exercisable period</b>	<b>Approximate percentage of the issued share capital</b> <i>(Note 3)</i>	<b>Number of share options outstanding</b> <i>(Note 4)</i>
Mr. Tang <i>(Note 2)</i>	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:*

1. The said 500,000,000 shares of the Company represent the total number of conversion shares attaching to the convertible bond in the outstanding principal amount of HK\$40 million which would be allotted and issued upon full conversion at the conversion price of HK\$0.08 per share.
2. Ms. Ho Ming Yee (“Ms. Ho”), the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.
3. Based on 2,777,450,000 shares of the Company in issue as at 30 September 2016.
4. Subsequent to the period ended 30 September 2016, Mr. Tang accepted the irrevocable option offer by the Win Union Investment Limited (“Win Union”) to cancel all of his 25,000,000 outstanding share options. Therefore, as at the date of this report, the Company has no outstanding share options and Mr. Tang is beneficially interested in 500,000,000 underlying shares of the Company. For the details of the option offer, please refer to the Company’s circular dated 5 October 2016.

(c) **Interests in debentures of the Company**

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

*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 convertible bond was issued by the Company, in the outstanding principal amount 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.

Save as disclosed herein, as at 30 September 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 30 September 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:

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares and underlying shares of the Company</b>	<b>Approximate percentage of the issued capital (Note 5)</b>
Win Union (Note 1)	Beneficial owner	1,403,810,083	50.54%
Excel Precise International Limited (“Excel Precise”) (Note 2)	Person having a security interest in shares	1,403,810,083	50.54%
Mr. Tang (Note 3)	Beneficial owner	525,000,000	18.90%
Ms. Ho (Note 4)	Interest in spouse	525,000,000	18.90%

*Notes:*

1. The said 1,403,810,083 shares of the Company are held by Win Union. Win Union is wholly-owned by Mr. Chan Kin Chun Victor.
2. The controlling shareholder of Excel Precise is True Promise Investments Limited, which is beneficially owned by Mr. Law Fei Shing.
3. The said 525,000,000 shares of the Company comprises 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. As disclosed above, subsequent to the period ended 30 September 2016, Mr. Tang accepted the irrevocable option offer by the Win Union to cancel all of his outstanding share options. Therefore, as at the date of this report, Mr. Tang is beneficially interested in 500,000,000 underlying shares of the Company. For the details of the option offer, please refer to the Company’s circular dated 5 October 2016.

4. 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.
5. Based on 2,777,450,000 shares of the Company in issue as at 30 September 2016.

## SHARE OPTIONS

As at 30 September 2016, options under Share Option Schemes to subscribe for an aggregate of 33,000,000 shares of the Company have been granted to one director and two employees of the Group, details as follows:

	<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price per share HK\$</b>	<b>Outstanding at 1.4.2016 and 30.9.2016</b>
<i>(Note)</i>				
Category 1:				
Directors				
Mr. Tang	23.12.2011	23.12.2012 – 22.12.2021	0.062	5,000,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,000,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	5,000,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	5,000,000
Category 2:				
Employees	23.3.2010	23.3.2011 – 22.3.2020	0.210	2,000,000
	13.8.2010	13.8.2011 – 12.8.2020	0.138	3,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	<u>3,000,000</u>
Total of all categories				<u><u>33,000,000</u></u>

### *Note:*

Subsequent to the period ended 30 September 2016, all the optionholders accepted the irrevocable option offer by Win Union to cancel all of their outstanding share options and therefore, the Company has no outstanding share options as at the date of this report.

## COMPETING INTERESTS

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

Mr. Tang, the executive Director, is a seasoned entrepreneur in hospitality management and consultancy services. He owns a well-established hospitality group which creates and operates a wide variety of food and beverage concepts in Hong Kong, the PRC, Japan and Singapore. Other than the Group, the restaurants currently owned and operated by Mr. Tang and his associates in Hong Kong, the PRC, Japan and Singapore include but are not limited to the following: Joy & Joy, Tim's Kitchen Elements, The Peak Lookout, The Peak Lookout Airport, Jimmy's Kitchen, Agave, Sei, Naha, Taishoken Maruichi, Daimon, Xia Fei, Xia Xiao Fei, Xiao Wang Beef Noodle, Avenue Joffre at Sentosa, Kansai Mama, Osteria Felice, Han Nya Tou, Lu Feng and Fujiyama Mama ("Private Group Restaurants"). The information of some of these restaurants, including their locations and menus, can be found in the website [www.epicurean.com.hk](http://www.epicurean.com.hk) (which is not the website of the Company).

The cuisines and dining experiences that the Private Group Restaurants offer are largely different from those that are currently offered by the Group's restaurants (which include Japanese tonkatsu under the name of Ginza Bairin 銀座梅林, restaurants, café and cake shops under the brands of Italian Tomato, the Japanese curry specialty stores under the name of Shirokuma Curry 白熊咖哩 and the Japanese izakaya under the name of Enmaru 炎丸) ("Group Restaurants"). For the Private Group Restaurants that share similar cuisines with any of the Group Restaurants, they operate in different locations; and for the Private Group Restaurants that are located in the same district with any of the Group Restaurants, they operate on different concepts and serve different cuisines. In view of this, Mr. Tang considers that the restaurants currently owned or operated by him and his associates (otherwise than through the Group) are not in competition with the business of the Group.

## AUDIT COMMITTEE

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

Up to the date of approval of the Group's unaudited results for the six months ended 30 September 2016, the audit committee had held two meetings and had reviewed the draft interim report and accounts for the six months ended 30 September 2016 prior to recommending such report and accounts to the Board for approval.

## **DIRECTORS' SECURITIES TRANSACTIONS**

Throughout the six months ended 30 September 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 complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

## **CORPORATE GOVERNANCE**

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 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 below.

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

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

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

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

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

As disclosed in the Circular of the Company dated 5 October 2016, it is intended that all existing Directors will resign as Directors and new Directors will be nominated with effect from the earliest time permitted for resignation and appointment of directors under the Takeovers Code or such later date as the Directors thinks fit. Details of the change of the Board composition and biographies of the new Directors will be announced as and when appropriate.

On behalf of the Board  
**Tang Sing Ming Sherman**  
*Chairman*

Hong Kong, 7 November 2016

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

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