



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

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

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
31 DECEMBER 2014**

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

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

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

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

**FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 31
DECEMBER 2014**

Consolidated turnover was HK\$376.4 million for the period under review, representing an increase of 25% compared with HK\$301.3 million recorded in the corresponding period last year.

Loss attributable to owners of the Company increased to HK\$21.5 million from HK\$11.7 million compared with the corresponding period last year.

RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the period ended 31 December 2014, together with the comparative unaudited consolidated figures for the corresponding period last year:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2014

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	2	376,351	301,299	125,786	105,031
Cost of sales		(118,014)	(97,438)	(39,576)	(35,107)
Gross profit		258,337	203,861	86,210	69,924
Other income		1,412	2,066	672	977
Operating expenses		(273,568)	(211,529)	(91,764)	(76,017)
Operating loss		(13,819)	(5,602)	(4,882)	(5,116)
Finance costs		(5,798)	(4,980)	(1,894)	(1,734)
Loss before income tax		(19,617)	(10,582)	(6,776)	(6,850)
Income tax expense	3	(2,570)	(1,137)	(1,158)	(379)
Loss for the period		(22,187)	(11,719)	(7,934)	(7,229)
Loss for the period attributable to:					
Owners of the Company		(21,458)	(11,650)	(7,568)	(7,048)
Non-controlling interests		(729)	(69)	(366)	(181)
		(22,187)	(11,719)	(7,934)	(7,229)
Loss per share (HK cents)	4				
– Basic		(0.96)	(0.52)	(0.34)	(0.31)
– Diluted		N/A	N/A	N/A	N/A
Loss for the period		(22,187)	(11,719)	(7,934)	(7,229)

	For the nine months ended 31 December		For the three months ended 31 December	
	2014	2013	2014	2013
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive loss for the period, net of tax:–				
Items that may be subsequently reclassified to profit or loss:–				
Exchange gain/(loss) arising from translation of financial statements of foreign operations	<u>299</u>	<u>(286)</u>	<u>145</u>	<u>(128)</u>
Total comprehensive loss for the period	<u>(21,888)</u>	<u>(12,005)</u>	<u>(7,789)</u>	<u>(7,357)</u>
Total comprehensive loss for the period attributable to:–				
Owners of the Company	<u>(21,159)</u>	<u>(11,936)</u>	<u>(7,423)</u>	<u>(7,176)</u>
Non-controlling interests	<u>(729)</u>	<u>(69)</u>	<u>(366)</u>	<u>(181)</u>
	<u>(21,888)</u>	<u>(12,005)</u>	<u>(7,789)</u>	<u>(7,357)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2014

	Attributable to owners of the Company										
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Employee	Convertible	Other reserve	Total	Non-controlling interests	Total
						share-based compensation reserve	bonds equity reserve				
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1.4.2013 (Audited)	22,430	(106,724)	135,200	3,801	104	1,289	2,521	-	58,621	1,380	60,001
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	529	-	-	529	-	529
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(75)	(75)	(75)	(150)
Comprehensive loss											
Loss for the period	-	(11,650)	-	-	-	-	-	-	(11,650)	(69)	(11,719)
Other comprehensive loss:-											
Exchange loss arising from translation of financial statements of foreign operations	-	-	-	-	(286)	-	-	-	(286)	-	(286)
	-	(11,650)	-	-	(286)	-	-	-	(11,936)	(69)	(12,005)
At 31.12.2013 (Unaudited)	<u>22,430</u>	<u>(118,374)</u>	<u>135,200</u>	<u>3,801</u>	<u>(182)</u>	<u>1,818</u>	<u>2,521</u>	<u>(75)</u>	<u>47,139</u>	<u>1,236</u>	<u>48,375</u>
At 1.4.2014 (audited)	22,430	(134,287)	135,200	3,801	(187)	1,820	2,521	(75)	31,223	827	32,050
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(183)	(183)	98	(85)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	206	-	-	206	-	206
Share option lapsed	-	46	-	-	-	(46)	-	-	-	-	-
Comprehensive loss											
Loss for the period	-	(21,458)	-	-	-	-	-	-	(21,458)	(729)	(22,187)
Other comprehensive loss:-											
Exchange gain arising from translation of financial statements of foreign operations	-	-	-	-	299	-	-	-	299	-	299
Total comprehensive loss for the period	-	(21,458)	-	-	299	-	-	-	(21,159)	(729)	(21,888)
At 31.12.2014 (unaudited)	<u>22,430</u>	<u>(155,699)</u>	<u>135,200</u>	<u>3,801</u>	<u>112</u>	<u>1,980</u>	<u>2,521</u>	<u>(258)</u>	<u>10,087</u>	<u>196</u>	<u>10,283</u>

Notes:

1. BASIS OF PREPARATION

These unaudited consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the historical cost convention and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated quarterly results are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2014.

2. TURNOVER

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

	For the nine months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of food and beverage services	376,351	301,299

3. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax	4,068	3,158
Deferred tax	(1,498)	(2,021)
	<hr/>	<hr/>
Income tax expense	2,570	1,137
	<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 the BVI.
- (ii) The Company's subsidiaries incorporated/established in Hong Kong, the People's Republic of China ("PRC"), Taiwan and Japan are subject to Hong Kong Profits Tax, PRC Enterprise Income Tax, Taiwan Profit-Seeking-Enterprise Income Tax and Japan Corporate Income Tax at the rates of 16.5%, 25%, 17% and 15% respectively (2013: Hong Kong – 16.5%, PRC – 25%, Taiwan – 17% and Japan – 15% respectively).

4. LOSS PER SHARE

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

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 December 2013 and 2014.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 31 December 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the nine months ended 31 December 2014, the overall economic growth in Hong Kong slowed down due to the challenging external headwinds. Internally, the pro-democracy protests in late September further constrained the business sentiment in the region. Performance of the retail sector weakened as a result of combined factors, including slower growth in tourist visits and spending, and reduced domestic spending and investment. Fortunately, recent data confirms that Hong Kong's economy is gaining momentum in December suggesting that disruptions related to the Occupy Central campaign are starting to fade. In late 2014, the retail sales started to pick up the growth pace again.

Retail market conditions were little changed comparing to the previous quarters. Leasing demand from most retailers has remained conservative after slower sales growth this year linked to the reduction in tourist spending. Leading retailers, like luxury fashion and jewelry brands have also turned more selective on locations and more sensitive on rentals. Landlords are beginning to adjust their expectations as evidenced by recent transactions at lower rents on lease renewals for some prime street shops. Such change in the leasing landscape is definitely good news for us as an operator in the food and beverage ("F&B") industry since landlords have to adjust their expectations to retain tenants as well as to seek replacement tenants.

The F&B industry is highly competitive, and competition in the chain restaurant sub-sector is even more intense amongst all. On the one hand, the segment is with low average margin, and on the other hand, Hong Kong is a mature and sophisticated market where consumers are price conscious. To meet the competition, we have to enhance our operating efficiency and at the same time, continuously introduce new concepts and food-options in our stores to retain our customers.

Business Review

During the third quarter of fiscal 2014/2015, the Group has continued to apply multi-brand strategy to drive its business growth and achieve further market penetration in focused market segments. The Group's turnover marked a growth of 25%, from HK\$301.3 million in the corresponding period last year to HK\$376.4 million in the nine months ended 31 December 2014, which is mainly attributable to the enriched dining concepts, expanded store network and increased customer traffic. In terms of earnings, net loss attributable to owners of the Company widened by HK\$9.8 million, to HK\$21.5 million. This is mainly due to expiration of tenancy of some key stores while revenue of new stores is yet to catch up, increase in operating expenses and investments in network expansion. Admittedly, the performance was not satisfactory, but we believe that our persistence will pay off as we evolve.

During the reporting period, the restaurants, café and cake shops are still on a path to stable growth. As the concept is an iconic brand in Hong Kong, our strategy is to reinforce our market positioning in Hong Kong to achieve a consistent growth while diligently seeking for business expansion in under-penetrated markets, especially in the Mainland China and Taiwan. We believe that continuing impressing our customers is the key to success. During the reporting period, a new product line, "Cake Petit", has been established for producing innovative products. Celebrating festivals with our customers, series of promotions such as "Sakura Sweet Fair", "Mid-autumn Specials", "Halloween Cake Fair" and "Xmas Cookie Set" were launched. Again, these market promotions have received strong customer response and lifted sales. Connections with customers have always been core to the brand. With this in mind, we will continue to strengthen our platform in customer relations by leveraging a combination of social and digital media and our online membership system, "Tomato Club Member Zone". The membership system provides alternative channel for our customers to access to the latest news in our stores. During the reporting period, we have been granted a license to issue a limited edition "Gundam membership card". This famous Japanese animation character has also boosted our number of members, which already exceeded 17,000 as at the date of this report. In Mainland China and Taiwan, the performance of this concept has lagged behind the Hong Kong stores. We do see room for improvement in various fronts, including our ability in the areas of operation efficiency, cost control and production infrastructure. We believe the enhancement in these capabilities will help us drive our growth going forward.

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

Here, we are excited to report that our Taiwanese beef noodle concept has become one of the biggest Taiwanese dining chains in Hong Kong. In less than two years' time, it has become another major revenue contributor to the Group. This brand also has further enhanced the brand recognition in the region as one of our stores has been rated as recommended restaurant in the best-known international food guide in 2015. People lined up outside the door to experience the brand. While we are proud of our achievements, we have learned never to take our success for granted, which is why we are committed to using fresh ingredients and materials to maintain a high level of quality in our food product despite under the pressure of rising food costs. In future, we will continue to seek for opportunities to expand our presence in different markets by sharpening our ability in different areas to further optimize our profit margin.

To diversify our income source, we have continued to bring in new business initiative by engaging in brand licensing and management during the reporting period. Japanese curry specialty concept is our first testing initiative to embark into this license-led business category. We have entered into license agreements with business partners in Shanghai and Changzhou. The first licensed store has been opened in Changzhou during the reporting period. In the past few quarters, we have been continuously received enquiries from investors who are passionate about our brands. We will closely monitor the development of this new initiative and cautiously extend to other concepts in our portfolio.

In late 2013, our izakaya concept store unveiled. Currently, we operate two stores, one in each of Hong Kong and Shanghai. The Hong Kong store is one of the Group's stores affected by the "Occupy Central Campaign" most, however the sales of which are picking up gradually after the Occupy Central Campaign. Shanghai store is still taking time for the market to accept the new dining concept. We will continue to make changes in our menu to reflect regional custom and cultures so that we will be locally relevant. We think we are on the right path for improvements in both sales and operation.

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

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

Future Prospects

We expect the rest of fiscal 2014/2015 and upcoming 2015/2016 will continue to be tough amid a slowing down of economic growth in Hong Kong and PRC. The PRC government's campaign against extravagant spending has stymied luxury spending in Hong Kong which has adverse impact on the tourism and retail industry in Hong Kong. Although Chinese tourists are not our main-focused customers, it will, to some extent, affect our business. Fortunately, with the return of Chinese tourists and the restoration of consumption emotion of local people after the "Occupy Central Campaign", we believe that the hard times for the retail industry have passed. We hope our strategy of brand and geographic diversification will help us tackle the tough period in coming quarters and fiscal year.

Though our third quarterly results do not fulfill our standards for performance, we will take this as an opportunity to take a step back and reevaluate in order to strengthen different aspects of the business so that we could be stronger. In the coming quarters, we will review the performance of each brand so that we could identify our operational deficiencies and try to formulate new approach to improve our business model. We will also consider revamping brands that have persistently underperformed. Reinforcing our operation by disciplined execution of existing stores will be our priority in Hong Kong and we will consider broadening our store network cautiously. Mainland China is a market with enormous opportunities, we will consider increasing our penetration levels in the PRC cities other than Shanghai where we already have a number of restaurants, café and cake shops. Besides, we will also enhance our operational infrastructure in Shanghai. As the F&B industry is highly susceptible to changing consumer tastes, we will adhere to our multi-brand strategy and consider acquiring or developing new concepts when opportunity arrives. We believe that all these moves will help us to be stronger and better positioned for our future development.

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

FINANCIAL REVIEW

Consolidated results of operations

For the nine months ended 31 December 2014, the Group recorded turnover of HK\$376.4 million (2013: HK\$301.3 million), the turnover increased by 25% compared with the corresponding period last year.

Loss attributable to owners of the Company was HK\$21.5 million (2013: HK\$11.7 million).

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

Total operating expenses increased by 29% to HK\$273.6 million (2013: HK\$211.5 million) due to the fact that the Group operated more stores compared with corresponding period last year and pre-operating expenses were incurred for tapping into new markets during the period.

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

During the nine months ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 December 2014, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 3)
Mr. Tang Sing Ming Sherman ("Mr. Tang") (Note 2)	Beneficiary of a trust	1,673,810,083 (Note 1)	74.63%

Notes:

- Mr. Tang is the founder and one of the beneficiaries of Piety Trust ("Family Trust"), a discretionary family trust for the benefit of certain family members of Mr. Tang. The said 1,673,810,083 shares are held by First Glory Holdings Limited ("First Glory"). First Glory is wholly-owned by Glory Sunshine Holding Limited ("Glory Sunshine"). In turn, Glory Sunshine is wholly-owned by HSBC Trustee (Cook Islands) Limited in its capacity as the trustee of the Family Trust. Mr. Tang is therefore deemed to be interested in the said 1,673,810,083 shares under Part XV of the SFO.

In addition, Mr. Tang is also the sole legal and beneficial owner of Strong Venture Limited ("Strong Venture"), which held convertible bond issued by the Company in the principal amount of HK\$80 million ("Convertible Bond") pursuant to which a total of 1,000,000,000 ordinary shares of the Company will be issued upon full conversion at the conversion price of HK\$0.080 per share. Accordingly, Mr. Tang was deemed to be interested, within the meaning of Part XV of the SFO, in the Convertible Bond held by Strong Venture.

- 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.
- Based on 2,242,950,000 shares of the Company in issue as at 31 December 2014.

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

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital <i>(Note 3)</i>
Mr. Tang <i>(Note 2)</i>	Interest in corporation	1,000,000,000 <i>(Note 1)</i>	44.58%

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

Name	Date of grant	Exercise price per share	Exercisable period	Approximate percentage of the issued share capital <i>(Note 3)</i>	Number of share options outstanding
		<i>HK\$</i>			
Mr. Tang <i>(Note 2)</i>	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.22%	5,000,000
	23 December 2011	0.062	From 23 December 2013 to 22 December 2021	0.22%	5,000,000
	23 December 2011	0.062	From 23 December 2014 to 22 December 2021	0.22%	5,000,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.22%	5,000,000
	19 April 2013	0.090	From 19 April 2015 to 18 April 2023	0.22%	5,000,000
Mr. Bhanusak Asvaintra	13 August 2010	0.138	From 13 August 2011 to 12 August 2020	0.04%	1,000,000
	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.02%	500,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.02%	500,000
Mr. Chan Kam Fai Robert	13 August 2010	0.138	From 13 August 2011 to 12 August 2020	0.04%	1,000,000
	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.02%	500,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.02%	500,000
Mr. Chung Kwok Keung Peter	13 August 2010	0.138	From 13 August 2011 to 12 August 2020	0.04%	1,000,000
	23 December 2011	0.062	From 23 December 2012 to 22 December 2021	0.02%	500,000
	19 April 2013	0.090	From 19 April 2014 to 18 April 2023	0.02%	500,000
					31,000,000

Notes:

1. The said 1,000,000,000 shares represent the total number of shares which would be issued upon full conversion of the Convertible Bond held by Strong Venture, which is wholly-owned by Mr. Tang, and the Convertible Bond was issued in the principal amount of HK\$80 million pursuant to which a total of 1,000,000,000 ordinary shares of the Company will be issued upon full conversion at the conversion price of HK\$0.080 per share. Accordingly, Mr. Tang was deemed to be interested, within the meaning of Part XV of the SFO, in the Convertible Bond held by Strong Venture.
2. Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.
3. Based on 2,242,950,000 shares of the Company in issue as at 31 December 2014.

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

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

Notes:

The one issued share in the share capital of First Glory (which constitutes the entire issued share capital of First Glory) was held by Glory Sunshine. In turn, Glory Sunshine is wholly-owned by HSBC Trustee (Cook Islands) Limited in its capacity as the trustee of the Family Trust. Mr. Tang is the founder and one of the beneficiaries of the Family Trust.

(d) Interests in debentures of the Company

Name	Type of interests	Amount of Debentures
Mr. Tang <i>(Note 2)</i>	Interest in corporation	HK\$80 million <i>(Note 1)</i>

Notes:

1. The said HK\$80 million represents the outstanding principal amount of the Convertible Bond held by Strong Venture, which is wholly-owned by Mr. Tang. The Convertible Bond was issued by the Company in the principal sum of HK\$80 million, pursuant to which a total of 1,000,000,000 ordinary shares of the Company would be issued upon full conversion at the conversion price of HK\$0.080 per share.
2. Ms. Ho, the spouse of Mr. Tang, is deemed to be interested in the same number of shares held by Mr. Tang.

Save as disclosed herein, as at 31 December 2014, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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

Save as disclosed under the section headed “Directors’ interests in the securities of the Company or any associated corporations”, so far as is known to the Directors and chief executive of the Company, as at 31 December 2014, no other persons or companies had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, except the following:

Name	Type of interests	Number of shares	Approximate percentage of the issued capital (Note 4)
HSBC Trustee (Cook Islands) Limited (Note 1)	Interest in corporation	1,673,810,083	74.63%
Glory Sunshine (Note 1)	Interest in corporation	1,673,810,083	74.63%
First Glory (Note 1)	Beneficial owner	1,673,810,083	74.63%
Strong Venture (Note 2)	Beneficial owner	1,000,000,000	44.58%
Ms. Ho (Note 3)	Interest in spouse	2,698,810,083	120.32%

Notes:

1. The said 1,673,810,083 shares of the Company are held by First Glory. First Glory is wholly-owned by Glory Sunshine. In turn, Glory Sunshine is wholly-owned by HSBC Trustee (Cook Islands) Limited in its capacity as the trustee of the Family Trust.
2. The said 1,000,000,000 shares represent the total number of shares which would be issued upon full conversion of the Convertible Bond held by Strong Venture, which is wholly-owned by Mr. Tang, and the Convertible Bond was issued in the principal amount of HK\$80 million pursuant to which a total of 1,000,000,000 ordinary shares of the Company would be issued upon full conversion at the conversion price of HK\$0.080 per share. Accordingly, Mr. Tang was deemed to be interested, within the meaning of Part XV of the SFO in the Convertible Bond held by Strong Venture.
3. Ms. Ho is the spouse of Mr. Tang, and is therefore deemed to be interested in the shares of the Company held by Mr. Tang. Please refer to the section headed "Directors' interests in the securities of the Company or any associated corporations" for further details.
4. Based on 2,242,950,000 shares of the Company in issue as at 31 December 2014.

SHARE OPTIONS

As at 31 December 2014, options under Share Option Schemes to subscribe for an aggregate of 67,500,000 shares have been granted to a total of 11 directors and employees of the Group, details as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2014	Lapsed during the period	Outstanding at 31.12.2014
Category 1: Directors						
Mr. Tang	23.12.2011	23.12.2012 – 22.12.2021	0.062	5,000,000	–	5,000,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	5,000,000	–	5,000,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,000,000	–	5,000,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	5,000,000	–	5,000,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	5,000,000	–	5,000,000
Mr. Bhanusak Asvaintra	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000	–	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	500,000
Mr. Chan Kam Fai Robert	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000	–	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	500,000
Mr. Chung Kwok Keung Peter	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000	–	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000	–	500,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	500,000	–	500,000
Category 2: Employees						
	23.3.2010	23.3.2011 – 22.3.2020	0.210	2,000,000	–	2,000,000
	13.8.2010	13.8.2011 – 12.8.2020	0.138	5,000,000	–	5,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	5,000,000	–	5,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	3,400,000	–	3,400,000
	23.12.2011	23.12.2013 – 22.12.2021	0.062	4,500,000	–	4,500,000
	23.12.2011	23.12.2014 – 22.12.2021	0.062	5,600,000	–	5,600,000
	19.4.2013	19.4.2014 – 18.4.2023	0.090	6,500,000	(1,000,000)	5,500,000
	19.4.2013	19.4.2015 – 18.4.2023	0.090	6,500,000	(1,000,000)	5,500,000
Total of all categories				<u>69,500,000</u>	<u>(2,000,000)</u>	<u>67,500,000</u>

COMPETING INTERESTS

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

Mr. Tang, an executive Director, is a seasoned entrepreneur in hospitality management and consultancy services. He owns a well established hospitality group which creates and operates a wide variety of food and beverage concepts in Hong Kong and the PRC. Other than the Group, the restaurants currently owned and operated by Mr. Tang and his associates in Hong Kong and the PRC include a number of Chinese restaurants (namely Joy & Joy 喜双逢, Xia Mian Guan 夏麵館, Kowloon Tang 九龍廳, Tim's Kitchen Elements 圓方桃花源), western restaurants (namely The Peak Lookout, The Peak Lookout Airport, Jimmy's Kitchen, Steik World Meats, Agave, Club 97, Post 97 and El Pomposo Shanghai), Japanese restaurants (Rei 礼 and Naha 那霸沖繩料理). The information of these restaurants, including their locations and menus, can be found in the website www.epicurean.com.hk (which is not the website of the Company).

Given the cuisines and dining experiences that these restaurants offer vis-a-vis that are currently offered by the Group's restaurants (which include Japanese tonkatsu under the name of Ginza Bairin 銀座梅林, the Shanghainese dining restaurants under the brand of Xia Fei 霞飛, restaurants, café and cake shops under the brands of Italian Tomato, the Japanese curry specialty stores under the name of Shirokuma Curry 白熊咖哩, the concept of Taiwanese beef noodles under the name of Xiao Wang Beef Noodle 小王牛肉麵, the Japanese ramen under the name of Mutsumiya 睦美屋 and the Japanese izakaya under the name of Enmaru 炎丸), Mr. Tang considers that the restaurants currently owned or operated by him and his associates (otherwise than through the Group) are not in competition with the business of the Group.

AUDIT COMMITTEE

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

Up to the date of approval of the Group's unaudited results for the nine months ended 31 December 2014, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2014 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the nine months ended 31 December 2014, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CORPORATE GOVERNANCE

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2014, except for the deviations from Code Provisions A.2.1 and A.4.2 of the Corporate Governance Code. Details of the deviations are set out below.

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

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

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

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

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

On behalf of the Board
Tang Sing Ming Sherman
Chairman

Hong Kong, 9 February 2015

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

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