



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 RESULTS REPORT**  
**FOR THE PERIOD ENDED**  
**31 DECEMBER 2012**

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

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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 2012**

Consolidated turnover from both continuing and discontinued operations was HK\$163.3 million for the period under review, representing an increase of 63% compared with HK\$100.1 million recorded in the corresponding period last year.

Turnover from the food and beverage was HK\$161.8 million, representing an increase of 171% compared with corresponding period last year.

Loss attributable to owners of the Company increased to HK\$13.7 million from HK\$9.2 million compared with the corresponding period last year.

During the period under review, a sale and purchase agreement had been entered into between an indirect wholly-owned subsidiary of the Company and a vendor to acquire 100% equity interest in a food and beverage group which holds franchise rights of well-established restaurants, café and cake shops chain outlets in Hong Kong, as well as franchise rights in Guangdong Province, the People's Republic of China and Taiwan, at the total consideration of HK\$80 million.

During the period under review, a sale and purchase agreement had been entered into between an indirect wholly-owned subsidiary of the Company and vendors to acquire 100% equity interest in a bookstore at the total consideration of HK\$510,000.

During the period under review, the Group had disposed of the entire equity interests in Armitage Technologies Holding (BVI) Limited and its subsidiaries in order to discontinue all the businesses of the provision of information solutions and design, development and sale of application software packages.

## 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 2012, 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 2012

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations</b>					
Turnover	2	161,771	59,596	78,065	24,501
Cost of sales and services rendered		<u>(52,539)</u>	<u>(22,070)</u>	<u>(25,084)</u>	<u>(8,984)</u>
Gross profit		109,232	37,526	52,981	15,517
Other income		1,244	664	694	270
Operating expenses		<u>(114,676)</u>	<u>(36,248)</u>	<u>(53,142)</u>	<u>(15,871)</u>
Operating (loss)/profit		<u>(4,200)</u>	1,942	533	(84)
Finance costs		<u>(4,343)</u>	<u>(1,575)</u>	<u>(1,565)</u>	<u>(310)</u>
(Loss)/profit before income tax		<u>(8,543)</u>	367	<u>(1,032)</u>	(394)
Income tax expense	3	<u>(284)</u>	<u>(996)</u>	<u>(419)</u>	<u>(362)</u>
Loss for the period from continuing operation		<u>(8,827)</u>	<u>(629)</u>	<u>(1,451)</u>	<u>(756)</u>
<b>Discontinued operations</b>					
Loss for the period from discontinued operations		<u>(4,752)</u>	<u>(8,474)</u>	<u>-</u>	<u>(1,094)</u>
Loss for the period		<u>(13,579)</u>	<u>(9,103)</u>	<u>(1,451)</u>	<u>(1,850)</u>
<b>Other comprehensive income/(loss), net of tax</b>					
Exchange gain/(loss) arising from translation of foreign operations		<u>1</u>	<u>(471)</u>	<u>10</u>	<u>(133)</u>
<b>Total comprehensive loss for the period</b>		<u><u>(13,578)</u></u>	<u><u>(9,574)</u></u>	<u><u>(1,441)</u></u>	<u><u>(1,983)</u></u>

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
(Loss)/profit for the period attributable to:					
Owners of the Company		<b>(13,716)</b>	(9,210)	<b>(1,578)</b>	(1,899)
Non-controlling interests		<b>137</b>	107	<b>127</b>	49
		<b><u>(13,579)</u></b>	<u>(9,103)</u>	<b><u>(1,451)</u></b>	<u>(1,850)</u>
Total comprehensive (loss)/ income for the period attributable to:					
Owners of the Company		<b>(13,715)</b>	(9,681)	<b>(1,568)</b>	(2,032)
Non-controlling interests		<b>137</b>	107	<b>127</b>	49
		<b><u>(13,578)</u></b>	<u>(9,574)</u>	<b><u>(1,441)</u></b>	<u>(1,983)</u>
<b>Loss per share (HK cents)</b>	5				
From continuing and discontinued operations					
– Basic		<b><u>(0.71)</u></b>	<u>(0.78)</u>	<b><u>(0.07)</u></b>	<u>(0.14)</u>
– Diluted		<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>N/A</u>
From continuing operations					
– Basic		<b><u>(0.46)</u></b>	<u>(0.05)</u>	<b><u>(0.07)</u></b>	<u>(0.06)</u>
– Diluted		<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>N/A</u>
From discontinued operations					
– Basic		<b><u>(0.25)</u></b>	<u>(0.73)</u>	<b><u>N/A</u></b>	<u>(0.08)</u>
– Diluted		<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>N/A</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2012

	Attributable to owners of the Company									
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Employee share-based compensation reserve	Convertible bonds equity reserve	Total	Non-controlling interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 April 2011 (Audited)	10,953	(72,942)	77,312	3,801	1,871	502	2,100	23,597	-	23,597
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,043	1,043
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	237	-	237	-	237
Release upon disposal of a subsidiary	-	82	-	-	(82)	-	-	-	-	-
Rights issue	5,477	-	26,262	-	-	-	-	31,739	-	31,739
Total comprehensive loss for the period	-	(9,210)	-	-	(471)	-	-	(9,681)	107	(9,574)
At 31 December 2011 (Unaudited)	<u>16,430</u>	<u>(82,070)</u>	<u>103,574</u>	<u>3,801</u>	<u>1,318</u>	<u>739</u>	<u>2,100</u>	<u>45,892</u>	<u>1,150</u>	<u>47,042</u>
At 1 April 2012 (Audited)	16,430	(88,965)	103,610	3,801	1,173	886	2,100	39,037	1,158	40,195
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	353	-	353	-	353
Release upon disposal of a subsidiary	-	-	-	-	(1,211)	-	-	(1,211)	-	(1,211)
Conversion of convertible bonds	6,000	-	31,992	-	-	-	(1,988)	36,054	-	36,054
Recognition of equity component of convertible bond	-	-	-	-	-	-	2,775	2,775	-	2,775
Total comprehensive loss for the period	-	(13,716)	-	-	1	-	-	(13,715)	137	(13,578)
<b>At 31 December 2012 (Unaudited)</b>	<b><u>22,430</u></b>	<b><u>(102,679)</u></b>	<b><u>135,602</u></b>	<b><u>3,801</u></b>	<b><u>(37)</u></b>	<b><u>1,239</u></b>	<b><u>2,937</u></b>	<b><u>63,293</u></b>	<b><u>1,295</u></b>	<b><u>64,588</u></b>

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 as modified by revaluation of financial assets at fair value through profit or loss 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 2012.

## 2. TURNOVER

Turnover, from both continuing and discontinued operations, represents revenue recognised in respect of provision of food and beverage services, the provision of information solutions and design, development and sale of application software packages, net of discounts and business tax, during the period. An analysis of the turnover recorded for the period is set out below:

	Continuing operations		Discontinued operations		Total	
	For the nine months ended 31 December		For the nine months ended 31 December		For the nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Provision of food and beverage services	161,771	59,596	-	-	161,771	59,596
Provision of information solutions						
- System development and integration	-	-	-	3,977	-	3,977
- Maintenance and enhancement income	-	-	-	297	-	297
Sales of application software packages and related maintenance income	-	-	1,483	36,267	1,483	36,267
	<u>161,771</u>	<u>59,596</u>	<u>1,483</u>	<u>40,541</u>	<u>163,254</u>	<u>100,137</u>

### 3. INCOME TAX

Taxation in the profit or loss represents:

	<b>For the nine months ended 31 December</b>	
	<b>2012</b>	2011
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Continuing operations		
Current tax	<b>2,329</b>	1,478
Deferred tax	<b>(2,045)</b>	(482)
	<b>284</b>	996
Discontinued operations		
Current tax	<b>40</b>	(113)
Deferred tax	<b>119</b>	(167)
	<b>159</b>	(280)
Income tax expense	<b>443</b>	716

- (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 and the People's Republic of China ("PRC") are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax at the rates of 16.5% and 25% respectively (2011: 16.5% and 25% respectively).

### 4. DISCONTINUED OPERATIONS

The shareholders of the Company passed an ordinary resolution at an extraordinary general meeting on 18 April 2012 to discontinue all the businesses of the provision of information solutions and design, development and sale of application software packages.



Loss for the period for the provision of information solutions and design, development and sale of application software packages was as follows:

	<b>For the nine months ended 31 December</b>	
	<b>2012</b>	2011
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>1,483</b>	40,541
Cost of sales and services rendered	<b>(636)</b>	(16,341)
Gross profit	<b>847</b>	24,200
Other income	-	179
Loss on disposal of subsidiaries – <i>Note 7</i>	<b>(3,839)</b>	(5,332)
Operating expenses	<b>(1,600)</b>	(27,783)
Operating loss	<b>(4,592)</b>	(8,736)
Finance costs	<b>(1)</b>	(18)
Loss before income tax	<b>(4,593)</b>	(8,754)
Income tax (expense)/credit	<b>(159)</b>	280
Loss for the period	<b>(4,752)</b>	(8,474)

## 5. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 31 December 2012 and 2011 is based on the following data:-

	2012		2011	
	Loss attributable to owners of the Company HK\$'000	Weighted average number of ordinary shares	Loss attributable to owners of the Company HK\$'000	Weighted average number of ordinary shares
Continuing operations	<b>(8,964)</b>	<b>1,935,314,000</b>	(629)	1,186,907,000
Discontinued operations	<b>(4,752)</b>	<b>1,935,314,000</b>	(8,581)	1,186,907,000
	<b>(13,716)</b>	<b>1,935,314,000</b>	(9,210)	1,186,907,000

**Weighted average number of ordinary shares**

	<b>2012</b> <b>'000</b>	2011 <i>'000</i>
Issued ordinary shares at the beginning of the period	<b>1,642,950</b>	1,095,300
Effect of rights issue	-	91,607
Effect of conversion of convertible bonds	<b>292,364</b>	-
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Weighted average number of ordinary shares at the end of the period	<b><u>1,935,314</u></b>	<b><u>1,186,907</u></b>

The calculation of basic loss per share for the three months ended 31 December 2012 and 2011 is based on the following data:-

	<b>2012</b>	<b>Weighted average number of ordinary shares</b>	2011	<b>Weighted average number of ordinary shares</b>
	<b>Loss attributable to owners of the Company</b> <i>HK\$'000</i>		<b>Loss attributable to owners of the Company</b> <i>HK\$'000</i>	
Continuing operations	<b>(1,578)</b>	<b>2,242,950,000</b>	(805)	1,369,125,000
Discontinued operations	-	<b>2,242,950,000</b>	(1,094)	1,369,125,000
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	<b><u>(1,578)</u></b>	<b><u>2,242,950,000</u></b>	<b><u>(1,899)</u></b>	<b><u>1,369,125,000</u></b>

**Weighted average number of ordinary shares**

	<b>2012</b> <b>'000</b>	2011 <i>'000</i>
Issued ordinary shares at the beginning of the period	<b>1,642,950</b>	1,095,300
Effect of rights issue	-	273,825
Effect of conversion of convertible bonds	<b>600,000</b>	-
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Weighted average number of ordinary shares at the end of the period	<b><u>2,242,950</u></b>	<b><u>1,369,125</u></b>

Dilutive loss per share has not been disclosed as no dilutive potential equity share in existence as at 31 December 2012.

## 6. ACQUISITION OF SUBSIDIARIES

During the period under review, the Group completed the acquisition of 100% equity interest in Mark Limited and its subsidiaries ("Mark Group"), which are currently engaged in the operation of restaurants, café and cake shops, at a total consideration of HK\$80 million which was satisfied by convertible bonds issued by the Company.

During the period under review, the Group completed the acquisition of 100% equity interest in Tomato Books Co., Limited ("Tomato"), which is currently engaged in the operation of a bookstore, at a total consideration of HK\$510,000.

The net assets acquired in above acquisition were as follows:

	<b>Tomato</b> (unaudited) <i>HK\$'000</i>	<b>Mark Group</b> (unaudited) <i>HK\$'000</i>	<b>2012</b> <b>Total</b> (unaudited) <b>HK\$'000</b>
Net assets acquired:			
Other intangible assets	-	16,292	<b>16,292</b>
Plant and equipment	-	12,788	<b>12,788</b>
Deferred tax assets	302	-	<b>302</b>
Income tax recoverable	-	367	<b>367</b>
Inventories	422	1,895	<b>2,317</b>
Debtors, deposits and prepayments	480	11,602	<b>12,082</b>
Cash and bank balances	87	6,477	<b>6,564</b>
Creditors, accruals and deposit received	(702)	(11,411)	<b>(12,113)</b>
Bank loans, secured	-	(8,767)	<b>(8,767)</b>
Income tax payable	-	(1,691)	<b>(1,691)</b>
Deferred tax liabilities	-	(2,901)	<b>(2,901)</b>
	589	24,651	<b>25,240</b>
Discount on acquisition of a subsidiary	(79)	-	<b>(79)</b>
Goodwill on acquisition of subsidiaries	-	55,349	<b>55,349</b>
	510	80,000	<b>80,510</b>
Consideration for acquisition of subsidiaries	510	80,000	<b>80,510</b>
Net cash inflow/(outflow) arising on acquisition:			
Cash consideration paid	(510)	-	<b>(510)</b>
Cash and bank balances acquired	87	6,477	<b>6,564</b>
	(423)	6,477	<b>6,054</b>
	(423)	6,477	<b>6,054</b>

During the period ended 31 December 2011, the Group completed the acquisition of 70% equity interest in Qualifresh Catering Limited, which is currently providing food processing solutions and catering services in Hong Kong, at a total consideration of HK\$3.5 million.

The net assets acquired in above acquisition were as follows:

	2011 (unaudited) <i>HK\$'000</i>
Net assets acquired:	
Plant and equipment	529
Deferred tax assets	101
Inventories	392
Debtors, deposits and prepayments	3,099
Cash and bank balances	1,928
Creditors, accruals and deposit received	(1,660)
Bank loans, secured	(788)
Income tax payable	(125)
	<hr/>
	3,476
Non-controlling interests	(1,043)
	<hr/>
	2,433
Goodwill on acquisition of a subsidiary	1,067
	<hr/>
Consideration for acquisition of a subsidiary	3,500
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(3,500)
Cash and bank balances acquired	1,928
	<hr/>
	(1,572)
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## 7. DISPOSAL OF SUBSIDIARIES

During the period under review, the Group had disposed of the entire equity interests in Armitage Technologies Holding (BVI) Limited and its subsidiaries in order to discontinue all the businesses of the provision of information solutions and design, development and sale of application software packages.

During the period ended 31 December 2011, the Group had disposed of the entire equity interests in Armitage Technologies Limited and Armitage Technologies (Shenzhen) Limited.

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

	<b>2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	2011 (unaudited) HK\$'000
Net assets disposed of:–		
Plant and equipment	<b>2,150</b>	1,068
Trademark	–	77
Deferred tax assets	<b>335</b>	2,005
Club debenture	–	200
Other financial assets	–	763
Debtors, deposits and prepayments	<b>4,993</b>	6,857
Amount due from a fellow subsidiary	–	5,750
Cash and bank balances	<b>5,965</b>	920
Obligations under finance lease	–	(379)
Amount due to a fellow subsidiary	–	(5,750)
Creditors, accruals and deposit received	<b>(6,793)</b>	(3,236)
Income tax payable	–	(36)
	<hr/>	<hr/>
Net assets disposed of	<b>6,650</b>	8,239
Release of exchange reserve	<b>(1,211)</b>	(82)
	<hr/>	<hr/>
	<b>5,439</b>	8,157
Loss on disposal of subsidiaries – Note 4	<b>(3,839)</b>	(5,332)
	<hr/>	<hr/>
Total consideration	<b>1,600</b>	2,825
	<hr/> <hr/>	<hr/> <hr/>
Total consideration satisfied by:–		
Cash consideration	<b>1,600</b>	2,825
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## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the period ended 31 December 2012 (2011: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's unaudited turnover, from both continuing and discontinued operations, for the nine months ended 31 December 2012 amounted to HK\$163.3 million (2011: HK\$100.1 million), representing an increase of 63% compared with the same period of last financial year. The Group's unaudited turnover from continuing operations for the nine months ended 31 December 2012 amounted to HK\$161.8 million (2011: HK\$59.6 million), representing an increase of 171%. Net loss attributable to owners of the Company increased to HK\$13.7 million.

### **Industry Overview**

During the nine-month ended 31 December 2012, economy in Hong Kong had been facing strong external headwinds, showing only a modest year-on-year growth. The Euro debt crisis and the sluggish economic growth in the US remained key threats to the global economy. Fortunately, Hong Kong retail sector was generally robust thanks to the continuous growth in tourist arrivals.

The food and beverage ("F&B") business, however, had been facing great challenges due to the increasing cost pressures as resulted from the combined effects of the rises in raw materials, wages, rent rates, utilities etc. The general shortage of labour in the F&B sector, the sky price for retail shops in premier areas and fierce competition in the leasing landscape had brought further burden to our sector. Amid such a tough business environment where organic growth was hard to achieve, the Group on one hand, kept on improving its quality and services, as well as cautiously implementing the business expansion in order to strive for a stable growth, and on the other hand, continued to pursue for strategic acquisition opportunities worldwide.

### **Business Overview**

The Group's unaudited turnover generated from the F&B segment for the nine-month ended 31 December 2012 amounted to HK\$161.8 million (2011: HK\$59.6 million), representing an increase of 171% compared with the same period of the last financial year. The tremendous growth in revenue was mainly attributable to the enriched brand portfolio and increase in shop presence.

The Group had completed the disposal of the entire information technology segment and ventured into various new business concepts in the F&B industry, one of which was through an acquisition of a well-established F&B group in Hong Kong, namely a group of restaurants, café and cake shops operated under franchise rights originated from a Japanese counterpart covering Hong Kong, Taiwan and major PRC markets. As the dining concept is already a well-recognized brand in the community, the new business segment had demonstrated strong sales. During the period, we had celebrated the 25th anniversary of this dining concept in Hong Kong with waves of marketing and promotional campaigns to pay tribute to the continuous supports of our valued customers. As one of our marketing campaigns, we had joined hand in hand with a brand comprising a collection of innovative characters created by a Hong Kong designer to open a crossover store in Sheung Wan district. We believed that the philosophy behind this dining concept, “creating love and dream” could ally well with the image of the renowned creations and hopefully would broaden our customer base and generate new visits. Apart from reinforcing the franchise business in Hong Kong region, exploratory studies for Guangdong Province and Taiwan had been conducted.

In light of the growing popularity of bookstore café in Hong Kong, in late November 2012, the Group completed acquisition of a company engaging in the operation of a Japanese bookstore for the Group to unlock the business potential amid the rising trend.

Another new dining concept we had introduced into the market during the review period was Japanese curry specialty shop. As at the end of the review period, three shops were in operation, two in Hong Kong and one in the PRC. Since this was a new business initiation of our Group, we had been modifying our menu to adapt to different dining cultures amongst Hong Kong and PRC customers. Sales data had been collected for analyzing spending patterns and customer tastes which would provide more inspiration for our business development and marketing team, as well as serving as guidance for our forthcoming new outlets.

Under the difficult macroeconomic condition and the rising operating costs, our development under the Japanese tonkatsu franchise was hampered. The increasing competition in the dining concept further eroded our growth in this segment. During the review period, growth of sales at Hong Kong outlets slowed down. Fortunately, expansion of this business potential in the PRC had been progressing steadily. Sales of the Shanghai shop achieved a promising growth despite of the weakening consumption confidence in the area. The encouraging results in the Shanghai outlet had affirmed our perception about the PRC market. During the review period, two locations had been confirmed for new shops in the region.

Meanwhile, sales of the Shanghainese dining group were satisfactory. The brand had gradually gained reputation in the community and accumulated a loyal customer base. We had been refining our recipes to bring the freshest seasonal ingredients to our customers and at the same time, constantly updating the menu with innovative Shanghainese dishes to attract new clientele and also spark our frequent visitors interest. During the review period, a new shop was opened in a large residential area in Hong Kong. We had received very positive feedbacks and constructive critiques from our customers which were invaluable for our future expansion plan.

During the nine-month period, sales of our catering services company were modest. To increase our competitiveness, innovative products had been developed to attract new orders. Apart from providing food production solutions and catering services to the F&B industry in the region, it had offered increasing support to our outlets by taking over certain preparation procedures at shop front.

Moreover, a new business initiative specializing in casual Japanese dining had opened its first shop in Tsim Sha Tsui to test the market receptivity. During the period, mixed feedbacks were received from customers. We had been reviewing the production flow to enhance consistency in our food and services.

### **Future Prospects**

Our management foresees that the complex macroeconomic environment, the persistent cost inflation pressures and the competitive leasing landscape will continue throughout the fiscal year with the attendant uncertainties continuing to impact our business operations. Leveraging on our visionary management and experienced operating team, we believe that the Group will be able to translate the challenges into opportunities by refining our business model and optimizing the efficiency to accommodate to the ever-changing operating environment.

In the coming quarters, our efforts will be dedicated to two core aspects, being business initiations of lately acquired dining concepts and implementation of our business expansion plan, especially in the PRC market.

We will soon introduce the Japanese ramen and izakaya brand concepts into the territory, as well as bringing the restaurants, café and cake shops dining concepts into Taiwan and PRC markets. As of the date of this report, two shops have been opened under the concept of Taiwanese beef noodle. We will closely monitor the performance of these new shops to perfect our production. In the coming months, market research and positioning strategies formulation for ramen and izakaya brand concept will be concluded. Meanwhile, we are undergoing site selection evaluation for the first outlet. We expect that the first ramen shop will probably be opened in 2013. For the restaurants, café and cake shops dining concepts, our operating team is actively seeking for suitable locations in each of Taiwan and PRC region. In Hong Kong, a membership programme has been launched in early 2013. We believe that this will help to establish a more effective customer relationship management platform for our customer intelligence and future promotional activities.



To reinforce our footing in the industry, we will continue to expand our shop network under our current portfolio, namely Japanese tonkatsu franchise, Japanese curry specialty shop and Shanghainese dining. In Hong Kong, the recently confirmed locations for Japanese tonkatsu shops are at the stage of finalizing the design and layout. We expect that they will be in operation in 2013. And we will continuously searching for new sites for our existing dining concepts in order to seize a greater market share in the territory.

On another front, we have sowed seed of our long-term development in the PRC along with the introduction of our first outlet under each of the Japanese tonkatsu and curry specialty brand concepts in Shanghai. To facilitate our development in the PRC, we will also focus on our team building by inviting industry talents with comprehensive PRC market knowledge. We believe that the strengthening PRC platform will foster a more rapid growth for the Group. Ongoing, we will gradually extend and enhance our establishments in China.

At the same time, we will review our positioning strategy of the wellness café concept. More focus will be placed on product enhancement and quality control. Hopefully, all these will help to encourage customer visits and invigorate sales in the future.

To coordinate with our rapid network expansion and widening product mix, our management is of the view that there is an imminent need to establish a new central kitchen to standardize the production and logistic system. We have pursued our business plan to construct a new central kitchen. Currently, we are at the stage of finalizing the design and floor plan. We expect that it will be able to offer a better support for the expansion of the Group in the coming years.

Given the fact that our brand portfolio composes of a diverse dining concept targeting at a mass market segment, we believe that our business will be more resilience to economic downturn. Looking ahead, we will adhere to our strategy as a multi-brand operator for a sustainable growth. The Board believes that a broadened management team with proven track records in the regions and in-depth operational experience would lead us a more promising growth in the future.

## **FINANCIAL REVIEW**

For the nine months ended 31 December 2012, the Group recorded a total turnover of HK\$163.3 million (2011: HK\$100.1 million), representing an increase of 63% compared with the corresponding period last year.

Turnover generated from the food and beverage business was HK\$161.8 million (2011: HK\$59.6 million), representing an increase of 171% compared with corresponding period last year. Turnover generated from discontinued operations, information technology business, was HK\$1.5 million (2011: HK\$40.5 million).

Loss attributable to owners of the Company was HK\$13.7 million (2011: HK\$9.2 million).

The gross profit margin of the Group was 68% (2011: 63%). The increase of gross profit margin was due to the introduction of new brand concepts which could have relatively higher gross profit margins.

Total operating expenses increased by 217% to HK\$114.7 million (2011: HK\$36.2 million). Such increase was mainly attributable to the increase in staff and overheads costs as resulted from more shops under different brand concepts have been opened and more operating subsidiaries being set up after the first fiscal quarter of last year.

The loss from discontinued operations, information technology business, amounted to HK\$4.8 million.

The Company's wholly-owned subsidiary, Marvel Success Limited ("Marvel Success"), has entered into a letter of intent dated 4 February 2013, whereby Marvel Success has expressed its interest in exploring the possibility of acquiring certain companies and businesses of PJ Partners Pte Limited ("PJ Partners"), which is the issuer of a convertible bond ("PJ Convertible Bond") to Marvel Success, and its associates. The PJ Convertible Bond will soon expire on 10 February 2013 under the original terms as amended by the first supplemental deed. However, Marvel Success and PJ Partners has entered into a second supplemental deed on 4 February 2013 to extend the maturity date of the PJ Convertible Bond to 9 May 2013 or such later date to be mutually agreed in writing between Marvel Success and PJ Partners. If the negotiation for the proposed acquisition proceeds and subject to the signing of a formal sale and purchase agreement, the consideration in relation to the proposed acquisition of certain companies and businesses of PJ Partners may be settled by set-off against the outstanding principal amount under the PJ Convertible Bond.

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

During the nine months ended 31 December 2012, 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 2012, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

(including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

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

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital <i>(Note 3)</i>
Mr. Tang Sing Ming Sherman ("Mr. Tang") <i>(Note 2)</i>	Beneficiary of a trust	1,673,810,083 <i>(Note 1)</i>	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 two convertible bonds ("Convertible Bonds") issued by the Company. One was issued in the aggregate principal amount of HK\$3 million ("First Convertible Bond") pursuant to which a total of 50,000,000 ordinary shares of the Company would be issued upon full conversion at the adjusted conversion price of HK\$0.060 per share. The other one was issued in the aggregate principal amount of HK\$80 million ("Second 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 Bonds held by Strong Venture.

Subsequent to the period under review, the First Convertible Bond in the principal amount of HK\$3 million was redeemed by the Company on 16 January 2013.

- 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 2012.

**(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>	Interest in corporation	1,050,000,000 <i>(Note 1)</i>	46.81%

Outstanding options granted to the Directors under the share option scheme adopted on 26 February 2003 (“Share Option Scheme”):

<b>Name</b>	<b>Date of grant</b>	<b>Exercise price per share</b> <i>(Note 4)</i> <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>
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
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
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
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
					19,500,000

Notes:

1. The said 1,050,000,000 shares represent the total number of shares which would be issued upon full conversion of the Convertible Bonds held by Strong Venture in the aggregate principal amount of HK\$83 million. The First Convertible Bond was issued in the aggregate principal amount of HK\$3 million pursuant to which a total of 50,000,000 ordinary shares of the Company would be issued upon full conversion at the adjusted conversion price of HK\$0.060 per share. The Second Convertible Bond was issued in the aggregate 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 Bonds held by Strong Venture.

Subsequent to the period under review, the First Convertible Bond in the principal amount of HK\$3 million was redeemed by the Company on 16 January 2013.

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 2012.
4. The original exercise price in respect of the share options granted on 13 August 2010 was HK\$0.142 per share. Adjustment of the exercise price of such share options has been made on 28 October 2011 to HK\$0.138 per share as a result of the rights issue by the Company in November 2011.

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

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

Note:

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

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

<b>Name</b>	<b>Type of interests</b>	<b>Amount of Debentures</b>
Mr. Tang ( <i>Note 2</i> )	Interest in corporation	HK\$83 million ( <i>Note 1</i> )

*Notes:*

1. The said HK\$83 million represents the aggregate outstanding principal amount of the Convertible Bonds held by Strong Venture, which is wholly-owned by Mr. Tang. The First Convertible Bond was issued in the aggregate principal amount of HK\$3 million pursuant to which a total of 50,000,000 ordinary shares of the Company would be issued upon full conversion at the adjusted conversion price of HK\$0.060 per share.

The Second Convertible Bond was issued in the aggregate 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.

Subsequent to the period under review, the First Convertible Bond in the principal amount of HK\$3 million was redeemed by the Company on 16 January 2013.

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 2012, 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 2012, no other persons or companies had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, except the following:

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of the issued capital (Note 4)</b>
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	1,050,000,000	46.81%
Ms. Ho (Note 3)	Interest in spouse	2,738,810,083	122.11%

*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 1,050,000,000 shares represent the total number of shares which would be issued upon full conversion of the Convertible Bonds held by Strong Venture in the aggregate principal amount of HK\$83 million. The First Convertible Bond was issued in the aggregate principal amount of HK\$3 million pursuant to which a total of 50,000,000 ordinary shares of the Company would be issued upon full conversion at the adjusted conversion price of HK\$0.060 per share. The Second Convertible Bond was issued in the aggregate 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 Bonds held by Strong Venture.

Subsequent to the period under review, the First Convertible Bond in the principal amount of HK\$3 million was redeemed by the Company on 16 January 2013.

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 2012.

## SHARE OPTIONS

As at 31 December 2012, options under Share Option Scheme to subscribe for an aggregate of 48,500,000 shares have been granted to a total of 12 directors and employees of the Group, details as follows:

	Date of grant	Exercisable period	Exercise price per share (Note) HK\$	Outstanding at 1.4.2012 and 31.12.2012
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
Mr. Bhanusak Asvaintra	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000
Mr. Chan Kam Fai Robert	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000
Mr. Chung Kwok Keung Peter	13.8.2010	13.8.2011 – 12.8.2020	0.138	1,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	500,000
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	6,000,000
	13.8.2010	13.8.2012 – 12.8.2020	0.138	6,000,000
	23.12.2011	23.12.2012 – 22.12.2021	0.062	3,800,000
	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	6,200,000
Total of all categories				48,500,000

### Note:

The original exercise price in respect of the share options granted on 23 March 2010 and 13 August 2010 were HK\$0.216 and HK\$0.142 per share respectively. Adjustment of the exercise price of such share options has been made on 28 October 2011 to HK\$0.210 and HK\$0.138 per share respectively as a result of the rights issue by the Company in November 2011.



## **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 include a number of Chinese restaurants (namely Joy & Joy 喜相逢, Xia Mian Guan 夏麵館, Yu Joy 漁喜小菜皇 and Kowloon Tang 九龍廳), Western restaurants (namely The Peak Lookout, The Peak Lookout Airport, Jimmy's Kitchen, Steik World Meats, El Pomposo, Agave, Club 97, La Dolce Vita 97 and iL Posto 97), Japanese restaurants (Rei 礼 and Naha 那霸沖繩料理). Mr. Tang and his associates currently operate one restaurant in the PRC, namely Jimmy's Kitchen Shanghai. The information 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).

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 Xia Fei 霞飛, wellness café concept under the names of Quick & Fresh and getgo fresh, restaurants, café and cake shops under the brands of Italian Tomato, the Japanese curry specialty shops under the name of Shirokuma Curry 白熊咖哩, a casual Japanese dining concept under the name of Daijoubu 大丈夫 and the concept of Taiwanese beef noodles under the brand name of Xiao Wang Beef Noodle 小王牛肉麵), 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 2012, the audit committee had held three meetings and had reviewed the draft quarterly report and accounts for the nine months ended 31 December 2012 prior to recommending such report and accounts to the Board for approval.

## **DIRECTORS' SECURITIES TRANSACTIONS**

Throughout the nine months ended 31 December 2012, 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 2012, 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, 6 February 2013

*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.*