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 ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

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.

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

Consolidated turnover was HK$100.1 million for the period under review, representing an increase of 63% compared with HK$61.5 million recorded in the corresponding period last year.

Turnover from the food and beverage and information technology businesses were HK$59.6 million and HK$40.5 million respectively (2010: HK$18.0 million and HK$43.5 million respectively).

Loss attributable to owners of the Company decreased slightly to HK$9.2 million from HK$10.4 million compared with the corresponding period last year.

Operating profit from the food and beverage business segment was HK$3.6 million (2010: loss of HK$1.1 million).

During the first fiscal quarter, the Group has disposed of two subsidiaries under information technology business segment at a consideration of HK$2.8 million and recorded loss on disposal of HK$5.4 million.

During the first fiscal quarter, the Group has acquired 70% equity interest in a subsidiary, which is providing food processing solutions and catering services in Hong Kong, at a total consideration of HK$3.5 million with an option to acquire the remaining 30% equity interest at a total consideration of up to HK$1.5 million (subject to adjustment). A discount on the acquisition of interest amounted to HK$1.7 million has been recorded for such acquisition.

During the third fiscal quarter, the Group has acquired the entire equity interest in a group of subsidiaries, which are running Shanghainese dining restaurants in Hong Kong, at a total consideration of HK$8.6 million. A goodwill on acquisition amounted to HK$2.9 million has been recorded for such acquisition.

During the third fiscal quarter, the Group has entered into a licence agreement under which the Group has the exclusive licence and rights in relation to the use of the proprietary marks and the know-how of "Shirokuma Curry" in Asia excluding Japan, at a total consideration of HK$1 million and allotment of 10% ordinary shares of Talent Horizon Limited, which is a subsidiary of the Company, to the joint venture party.

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 2011, 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 2011

		For the nine months ended 31 December		**For the three months ended 31 December**	
		2011	2010	**2011**	2010
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**100,137**	61,491	**35,980**	29,100
Cost of sales and services rendered		**(38,411)**	(22,340)	**(12,496)**	(10,551)
Gross profit		**61,726**	39,151	**23,484**	18,549
Other income		**843**	1,247	**335**	517
Discount on acquisition of interest in a subsidiary	*3*	**1,746**	—	**—**	—
Operating expenses		**(71,109)**	(48,564)	**(24,884)**	(22,894)
Operating loss		**(6,794)**	(8,166)	**(1,065)**	(3,828)
Finance costs		**(1,593)**	(1,860)	**(551)**	(601)
Loss before income tax		**(8,387)**	(10,026)	**(1,616)**	(4,429)
Income tax expense	*4*	**(716)**	(355)	**(234)**	493
Loss for the period		**(9,103)**	(10,381)	**(1,850)**	(3,936)
Other comprehensive loss, net of tax					
Exchange loss arising from translation of foreign operations		**(471)**	91	**(133)**	107
Total comprehensive loss for the period		**(9,574)**	(10,290)	**(1,983)**	(3,829)

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2011	2010	**2011**	2010
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to:					
Owners of the Company		**(9,210)**	(10,381)	**(1,899)**	(3,936)
Non-controlling interests		**107**	—	**49**	—
		(9,103)	(10,381)	**(1,850)**	(3,936)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(9,681)**	(10,290)	**(2,032)**	(3,829)
Non-controlling interests		**107**	—	**49**	—
		(9,574)	(10,290)	**(1,983)**	(3,829)
Loss per share (HK cents)	*5*				
— Basic		**(0.78)**	(0.99)	**(0.14)**	(0.36)
— Diluted		**N/A**	N/A	**N/A**	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2011

	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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010 (Audited)	7,703	(45,301)	44,139	3,801	2,216	4	2,800	15,362	—	15,362
Conversion of convertible bonds	2,000	—	10,562	—	—	—	(700)	11,862	—	11,862
Placing of shares	1,100	—	20,392	—	—	—	—	21,492	—	21,492
Acquisition of subsidiaries	150	—	2,250	—	—	—	—	2,400	—	2,400
Recognition of equity-settled share-based payment expenses	—	—	—	—	—	445	—	445	—	445
Total comprehensive loss for the period	—	(10,381)	—	—	91	—	—	(10,290)	—	(10,290)
At 31 December 2010 (Unaudited)	10,953	(55,682)	77,343	3,801	2,307	449	2,100	41,271	—	41,271
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	5,476	—	26,263	—	—	—	—	31,739	—	31,739
Total comprehensive loss for the period	—	(9,210)	—	—	(471)	—	—	(9,681)	107	(9,574)
At 31 December 2011 (Unaudited)	**16,429**	**(82,070)**	**103,575**	**3,801**	**1,318**	**739**	**2,100**	**45,892**	**1,150**	**47,042**

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 2011.

2. TURNOVER

Turnover represents revenue recognised in respect of the provision of food and beverage business and provision of information solutions and application software packages sold, 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	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Food and beverage	**59,596**	18,009
Provision of information solutions		
— System development and integration	**3,977**	13,399
— Maintenance and enhancement income	**297**	1,819
Sales of application software packages and related maintenance income	**36,267**	28,264
	100,137	61,491

3. ACQUISITION OF SUBSIDIARIES

During the period under review, the Group completed the acquisition of 70% equity interest in Qualifresh Catering Limited ("Qualifresh"), which is currently providing food processing solutions and catering services in Hong Kong, at a total consideration of HK$3.5 million with an option to acquire the remaining 30% equity interest of Qualifresh at a total consideration of up to HK$1.5 million (subject to adjustment).

The Group also completed the acquisition of the entire equity interest in Rainbow Sky Enterprises Limited and its subsidiaries (collectively referred to as the "Rainbow Group"), which are running Shanghainese dining restaurants in Hong Kong, at a consideration of HK$8.6 million.

The net assets acquired in above acquisitions were as follows:

	Rainbow Group *HK$'000*	Qualifresh *HK$'000*	**Total** ***HK$'000***
Net assets acquired:			
Other intangible assets	3,636	2,813	**6,449**
Plant and equipment	705	529	**1,234**
Deferred tax assets	—	101	**101**
Inventories	52	392	**444**
Debtors, deposits and prepayments	3,390	3,099	**6,489**
Cash and bank balances	2,997	1,928	**4,925**
Amount due to a related company	(3,017)	—	**(3,017)**
Creditors, accruals and deposit received	(2,070)	(1,660)	**(3,730)**
Bank loans, secured	—	(788)	**(788)**
Income tax payable	—	(125)	**(125)**
	5,693	6,289	**11,982**
Non-controlling interests	—	(1,043)	**(1,043)**
	5,693	5,246	**10,939**
Goodwill on acquisition of interests in subsidiaries	2,885	—	**2,885**
Discount on acquisition of interest in a subsidiary	—	(1,746)	**(1,746)**
Consideration for acquisition of subsidiaries	8,578	3,500	**12,078**
Net cash outflow arising on acquisition:			
Cash consideration paid	(8,578)	(3,500)	**(12,078)**
Cash and bank balances acquired	2,997	1,928	**4,925**
	(5,581)	(1,572)	**(7,153)**

4. INCOME TAX

Taxation in the profit or loss represents:

	For the nine months ended 31 December	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax	**(1,365)**	(976)
Deferred tax	**649**	621
Income tax expense	**(716)**	(355)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

(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.

5. LOSS PER SHARE

(a) The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$9,210,000 (2010: HK$10,381,000) and the weighted average number of ordinary shares of 1,186,907,000 (2010: 1,053,500,000) in issue during the period for the nine months ended 31 December 2011, calculated as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss for the period attributable to the owners of the Company	**9,210**	10,381

Weighted average number of ordinary shares

	2011	2010
	'000	*'000*
Issued ordinary shares at the beginning of the period	**1,095,300**	770,300
Effect of rights issue	**91,607**	—
Effect of conversion of convertible bond	**—**	185,455
Effect of placing of shares	**—**	87,600
Effect of consideration shares upon acquisition of subsidiaries	**—**	10,145
Weighted average number of ordinary shares at the end of the period	**1,186,907**	1,053,500

(b) The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$1,899,000 (2010: HK$3,936,000) and the weighted average number of ordinary shares of 1,369,125,000 (2010: 1,095,300,000) in issue during the period for the three months ended 31 December 2011, calculated as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss for the period attributable to the owners of the Company	**(1,899)**	(3,936)

Weighted average number of ordinary shares

	2011	2010
	'000	*'000*
Issued ordinary shares at the beginning of the period	**1,095,300**	770,300
Effect of rights issue	**273,825**	—
Effect of conversion of convertible bond	**—**	200,000
Effect of placing of shares	**—**	110,000
Effect of consideration shares upon acquisition of subsidiaries	**—**	15,000
Weighted average number of ordinary shares at the end of the period	**1,369,125**	1,095,300

Diluted loss per share has not been disclosed as no dilutive potential equity share in existence as at 31 December 2010 and 2011.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 31 December 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's unaudited total turnover for the nine months ended 31 December 2011 amounted to HK$100.1 million (2010: HK$61.5 million), representing an increase of 63% compared with the corresponding period last year. Net loss attributable to owners of the Company was slightly decreased to HK$9.2 million from HK$10.4 million.

Food and Beverage Business

During the period under review, the food and beverage ("F&B") business segment posted a total revenue of HK$59.6 million (2010: HK$18.0 million), or a growth of 231% compared with the corresponding period last year. The F&B business has outgrown the information technology ("I.T.") business to become the most important core of the Group's operation.

During the three months period, the completion of the licence agreement in relation to the grant of proprietary marks and know-how of Japanese curry from a Japanese F&B operator had been taken place. In addition, the sale and purchase agreement to acquire a group of companies engaging in the business of Shanghainese dining restaurants had also been consummated. Meanwhile, the Company has been actively looking at suitable locations for new shops to conduct business under these two new brand names. As at the date of this announcement, two Shanghainese restaurants are in operation.

Inspired by the increasing awareness of healthy dining, the Group has developed a wellness café concept. In late 2011, the first outlet has been opened to test the market receptiveness.

Meanwhile, the Japanese tonkatsu franchise restaurants had contributed convincing results and continued to play a significant portion of the Group's overall income due to the increasing popularity of the Japanese dining concept in the territory. By the same token, this dining concept has been attracting new entrants and competition. As one of the top tonkatsu specialists in the territory, the management will exert extra effort to strive for further improvement in our premier food quality and services to retain our position of advantage.

The management are pleased to report that our central kitchen for supplying food processing solutions and catering services to the F&B operators in Hong Kong had made good progress. During the period under review, we had engaged in several customers, including chain restaurants, club house and airline.

The sturdy economy which stimulates growth in the retail sector has continued to bring in opportunities, challenges and uncertainties to our F&B business. During the period under review, we observed an increasing trend in various operating costs, especially in food and raw materials, labour and rental expenses. Our management had been closely monitoring the effect of such costs for the further enhancement of our operation efficiency to counterbalance the negative impact which could affect our profit margin.

Information Technology Business

Hospitality Software Solutions and Online Distribution Services

For the nine months ended 31 December 2011, turnover from the hospitality software solutions and online distribution services amounted to HK$35.3 million (2010: HK$24.2 million), representing an increase of 46% as compared with the corresponding period last year.

The improvement in turnover was mainly due to increase in hardware sale, which made up to approximately 26% (2010: 14%) of the total turnover of I.T. business segment. Software sale had a slight increase compared with the corresponding period last year. The South Western region had a significant improvement as compared with the corresponding period last year, especially in the Sichuan province. However, areas like Shandong and Hainan provinces had not performed up to our expectation.

Although economy bloom seemed to have slowed down, it has little effect on the inflation, which results a drastic increase in operating costs, especially in staff costs. As staff costs are on the rise and competitors have been undergoing a cut throat price strategy, the business environment becomes harder and harder for the Company's survival in this business segment. If situation continues to deteriorate, staff costs would definitely be a great burden to the Company. The difficulty to maintain and recruit capable technical staff will also hinder the product development progress and thus the future prospect of the I.T. business seems to be challenging.

Outsourcing and Information Solutions and Application Software Package Solutions

As the Board believes that it is to the best interest of the Group and our shareholders, the two subsidiaries of the Group's I.T. business in Hong Kong and Shenzhen, which had been making continuous losses since the financial year ended 31 March 2004, had been disposed of during the period under review for the purposes of not only providing an opportunity to the Group to streamline the operations of the Group, but also better allocating the resources of the Group with a view to optimising the productivity of the Group's operation.

FUTURE PROSPECTS

Food and Beverage Business

Looking ahead, the Group will cautiously increase the resources input to speed up the development of our F&B business in both Hong Kong and the PRC market. More resources will be directed to the tonkatsu franchise restaurants, the recently introduced Japanese curry specialty shop, Shanghainese dining restaurants and wellness café in the coming quarters.

As at the date of this announcement, we had completed product development of the newly introduced Japanese curry speciality shop. Currently, we are at the stage of continuing the logistics and work flow enhancement programme of our operation. More outlets will be unveiled in the coming fiscal quarter should locations with business potential could be identified. Meanwhile, preparation of opening a new outlet of the Shanghainese dining restaurant in Hong Kong is making satisfactory progress. We expect that the total number of outlets will reach three at the end of this fiscal year. Besides, the newly introduced wellness concept café has been opened to test the market. New outlets will be opened to expand the network in the territory. As at the date of this announcement, two outlets are under operation.

Meanwhile, the Company will strive for the further growth of the Japanese tonkatsu franchise business and seek for opportunities in the territory and beyond. As at the date of this announcement, a location for our next Japanese tonkatsu outlet in Shanghai has been identified and we are under negotiation with the landlord on the leasing terms. Management expects that the Japanese tonkatsu franchise, being the very first brand name introduced into our F&B business, will and continue to be our major portion of income stream to the Group for the foreseeable future.

In addition, the Group will continue to explore other opportunities in the F&B business, both in Hong Kong and the PRC to grow and enhance the Group's income stream. New brand names in F&B industry will be developed to enrich our restaurant portfolio should our management thinks it is appropriate.

In the short term, as the rising trend in operating costs, especially the rental expenses, is going to sustain, we expect an increasing difficulty in identifying suitable locations at a reasonable cost. However, the management believes that fueled by the robust growth in the retail and F&B business segments in the region, the prospect of our F&B business is highly promising.

Information Technology Business

Hospitality Software Solutions and Online Distribution Services

As a result of government's interference on property market, it is anticipated that fixed asset development will be slowing down in 2012. Since hotel business is very often linked with property development, the prospect in 2012 is not looking that good and may not be as promising as the previous years.

Owing to the success of hotel group conference held last year, the Group will try to capture more hotel chains and groups as our long term customers. Meanwhile, the management will set a clear price guidelines on our Pegasus products in the coming year for different hotel market segments to put us in a better position in order to compete with the challenge of our competitors. With a greater client base, our revenue will be improved and be able to counterbalance the increase in operating costs which threaten our I.T. business operation provided that more administrative and financial resources should be invested in.

Facing with the current high inflation economic situation, costs in various aspects such as human resources, rental, utilities, etc. will continue to stand high and cause further deterioration on the result of the I.T. business. As such, the management expects that the I.T. business will face a tough year ahead. In spite of all those adversaries, the management believes that with further efforts and resources input, we should be able to weather the crisis with proper risk management in place.

FINANCIAL REVIEW

For the nine months ended 31 December 2011, the Group recorded a total turnover of HK$100.1 million (2010: HK$61.5 million), the turnover increased by 63% compared with the corresponding period last year.

Turnover generated from the food and beverage business was HK$59.6 million (2010: HK$18.0 million). The dramatic increase in the turnover was resulted from the Group started the food and beverage business since the second fiscal quarter of last year and more outlets have been opened since then.

Turnover generated from the information technology business was HK$40.5 million (2010: HK$43.5 million), representing a decrease of 7% compared with the corresponding period last year. The hardware sale under the information technology business was HK$9.4 million (2010: HK$4.0 million), representing an increase of HK$5.4 million compared with the corresponding period last year.

Loss attributable to owners of the Company was HK$9.2 million (2010: HK$10.4 million). During the period under review, the food and beverage business segment contributed an operating profit of HK$3.6 million (2010: loss of HK$1.1 million) to the Company.

The gross profit margin of the Group was 62% (2010: 64%). The increase in sale of hardware, which is a low profit margin business, and the increasing sales rebate under the information technology business led to a decrease in the overall gross profit margin of the Group.

During the first fiscal quarter, Robust Asia Limited, a wholly-owned subsidiary of the Company, has acquired 70% equity interest in Qualifresh, which is currently providing food processing solutions and catering services in Hong Kong, at a total consideration of HK$3.5 million with an option to acquire the remaining 30% equity interest of Qualifresh at a total consideration of up to HK$1.5 million (subject to adjustment). A discount on acquisition of interest in a subsidiary amounted to HK$1.7 million has been recorded from the acquisition.

During the third fiscal quarter, Marvel Success Limited, a wholly-owned subsidiary of the Company, has acquired the entire equity interests in Rainbow Group, which is currently running Shanghainese dining restaurants in Hong Kong, at a total consideration of HK$8.6 million. A goodwill on acquisition of interests in Rainbow Group amounted to HK$2.9 million has been recorded from the acquisition.

During the third fiscal quarter, Talent Horizon Limited ("Talent"), a wholly-owned subsidiary of the Company, has entered into a licence agreement under which Talent and its subsidiaries have been granted the exclusive licence and rights in relation to the use of the proprietary marks and the know-how of "Shirokuma Curry" in Asia excluding Japan, at a total consideration of HK$1 million and allotment of 10% ordinary shares of Talent to the joint venture party.

Total operating expenses increased by 46% to HK$71.1 million (2010: HK$48.6 million). Such increase was attributable to a new line of business division started by the Company in the second fiscal quarter of last year. The operating expenses incurred by the food and beverage business during the period under review was HK$34.6 million (2010: HK$13.6 million). In addition, during the first fiscal quarter, Alpha Skill Holdings Limited and Armitage Holdings Limited, two wholly-owned subsidiaries of the Company, had disposed of the entire equity interests in Armitage Technologies Limited and Armitage Technologies (Shenzhen) Limited respectively. The consideration of the disposal was HK$2.8 million and the Group recorded a loss on disposal of subsidiaries amounted to HK$5.4 million.

During the third fiscal quarter, the Company has raised HK$31.7 million after expenses by way of a rights issue pursuant to which 547,650,000 ordinary shares of the Company have been issued. The net proceeds from the rights issue are intended to enhance the Group's current network of F&B brands by opening new restaurants or upgrading existing restaurants, pursue new and appropriate business opportunities primarily in the F&B sector that complement the existing platform of the Group and as general working capital for the day-to-day operation of the Group.

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

During the nine months ended 31 December 2011, 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 2011, 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 2)*
Mr. Tang Sing Ming Sherman ("Mr. Tang")	Corporate	1,073,810,083 *(Note 1)*	65.36%
Mr. Lee Shun Hon, Felix	Personal	3,100,000	0.19%

Notes:

1. These shares are held by First Glory Holdings Limited ("First Glory") which is wholly and beneficially owned by Mr. Tang. First Glory also holds convertible bonds ("Convertible Bonds") issued by the Company in the aggregate principal amount of HK$39 million pursuant to which a total of 650,000,000 ordinary shares of the Company will be issued upon full conversion at the adjusted price of HK$0.060 per share. Mr. Tang is the sole legal and beneficial owner of First Glory. Mr. Tang is deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in the said 1,073,810,083 shares and the Convertible Bonds which First Glory is interested in.

2. Based on 1,642,950,000 shares of the Company in issue as at 31 December 2011.

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

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital *(Note 2)*
Mr. Tang	Corporate	650,000,000 *(Note 1)*	39.56%

Notes:

1. The said 650,000,000 shares represent the total number of shares which will be issued upon full conversion of the Convertible Bonds held by First Glory in the aggregate principal amount of HK$39 million at the adjusted price of HK$0.060 per share. According to the terms of the Convertible Bonds, conversion of the Convertible Bonds is subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, and any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirements as stipulated in the GEM Listing Rules at the time of such conversion. Mr. Tang is deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in the Convertible Bonds held by First Glory.

2. Based on 1,642,950,000 shares of the Company in issue as at 31 December 2011.

Outstanding options granted to the Directors under the share option scheme adopted on 26 February 2003:

Name	Date of grant	Exercise price per share *(Note 4)* *HK$*	Exercisable period	Approximate percentage of the issued share capital *(Note 3)*	Number of share options outstanding
Mr. Tang	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.30%	5,000,000
	23 December 2011	0.062	23 December 2013 to 22 December 2021	0.30%	5,000,000
	23 December 2011	0.062	23 December 2014 to 22 December 2021	0.30%	5,000,000
Mr. Bhanusak Asvaintra	13 August 2010	0.138	13 August 2011 to 12 August 2020	0.06%	1,000,000
	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.03%	500,000
Mr. Chan Kam Fai Robert	13 August 2010	0.138	13 August 2011 to 12 August 2020	0.06%	1,000,000
	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.03%	500,000
Mr. Chung Kwok Keung Peter	13 August 2010	0.138	13 August 2011 to 12 August 2020	0.06%	1,000,000
	23 December 2011	0.062	23 December 2012 to 22 December 2021	0.03%	500,000
					19,500,000

Note:

3. Based on 1,642,950,000 shares of the Company in issue as at 31 December 2011.

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 the third fiscal quarter.

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

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Percentage of interest held
Mr. Tang	First Glory	Beneficial owner	1	100%

(d) Interests in debentures of the Company

Name	Type of interests	Amount of Debentures
Mr. Tang	Corporate	HK$39 million *(Note)*

Note:

The said HK$39 million represents the aggregate outstanding principal amount of the Convertible Bonds held by First Glory, which is wholly-owned by Mr. Tang. A total of 650,000,000 shares will be issued upon full conversion of the Convertible Bonds at the adjusted conversion price of HK$0.060 per share.

Save as disclosed herein, as at 31 December 2011, 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 2011, 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.

COMPETING INTERESTS

None of the directors, the controlling shareholders of the Company 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 during the nine months ended 31 December 2011.

SHARE OPTIONS

The Company operates a share option scheme, adopted on 26 February 2003 ("Share Option Schemes"). As at 31 December 2011, options under Share Option Scheme to subscribe for an aggregate of 48,500,000 shares have been granted to a total of 12 persons comprising Directors and employees of the Group, details as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share *(Note)* *HK$*	Number of share options: Outstanding at 1.4.2011	Granted during the period	Outstanding at 31.12.2011
Directors						
Mr. Tang Sing Ming Sherman	23.12.2011	23.12.2012 to 22.12.2021	0.062	—	5,000,000	5,000,000
	23.12.2011	23.12.2013 to 22.12.2021	0.062	—	5,000,000	5,000,000
	23.12.2011	23.12.2014 to 22.12.2021	0.062	—	5,000,000	5,000,000
Mr. Bhanusak Asvaintra	13.8.2010	13.8.2011 to 12.8.2020	0.138	1,000,000	—	1,000,000
	23.12.2011	23.12.2012 to 22.12.2021	0.062	—	500,000	500,000
Mr. Chan Kam Fai Robert	13.8.2010	13.8.2011 to 12.8.2020	0.138	1,000,000	—	1,000,000
	23.12.2011	23.12.2012 to 22.12.2021	0.062	—	500,000	500,000
Mr. Chung Kwok Keung Peter	13.8.2010	13.8.2011 to 12.8.2020	0.138	1,000,000	—	1,000,000
	23.12.2011	23.12.2012 to 22.12.2021	0.062	—	500,000	500,000
Employees						
	23.3.2010	23.3.2011 to 22.3.2020	0.210	2,000,000	—	2,000,000
	13.8.2010	13.8.2011 to 12.8.2020	0.138	6,000,000	—	6,000,000
	13.8.2010	13.8.2012 to 12.8.2020	0.138	6,000,000	—	6,000,000
	23.12.2011	23.12.2012 to 22.12.2021	0.062	—	3,800,000	3,800,000
	23.12.2011	23.12.2013 to 22.12.2021	0.062	—	5,000,000	5,000,000
	23.12.2011	23.12.2014 to 22.12.2021	0.062	—	6,200,000	6,200,000
				17,000,000	31,500,000	48,500,000

Note:

The original exercise price in respect of the share options granted on: (i) 23 March 2010 was HK$0.216 per share; and (ii) 13 August 2010 was HK$0.142 per share. Adjustment of the exercise prices of such share options has been made on 28 October 2011 to: (i) HK$0.210 per share and (ii) HK$0.138 per share respectively as a result of the rights issue by the Company in the third fiscal quarter.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The terms of reference for the Audit Committee have been revised on 13 February 2012. 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 2011, the Audit Committee has held three meetings and has reviewed the draft quarterly report and accounts for the nine months ended 31 December 2011 prior to recommending such report and accounts to the Board for approval.

On behalf of the Board
Tang Sing Ming Sherman
Chairman

Hong Kong, 13 February 2012

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